Pillar 3

UBS Limited – 2017 Supplementary Disclosures

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Introduction and basis for preparation

Scope of Pillar 3 disclosures

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 2017. These are the required Pillar 3 disclosures that are not included in other sections of the 2017 Annual Report and Financial Statements of UBS Limited, which can be found through the following link:

→ **UBS Limited Annual Report and Financial Statements 2017**

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, operational and non-counterparty related risks faced by banks. Pillar 2 addresses the principles of the supervisory review process emphasising 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"), the associated delegated and implementing acts and the related technical standards, as implemented within the UK by the PRA.

UBS Limited is part of the UBS Group AG consolidated group and a direct, 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 2017**

Revised Pillar 3 disclosure requirements, effective 31 December 2017

In January 2015 the Basel Committee on Banking Supervision (BCBS) issued revised Pillar 3 disclosure requirements that aim to improve comparability and consistency of disclosures through the introduction of harmonized templates. The European Commission (EC) have adopted these recommendations through the European Banking Authority (EBA) Guidelines, EBA/GL/2016/11, which are effective for UBS Limited from 31 December 2017.

Frequency and location of Pillar 3 disclosures

The following table identifies the location of the Pillar 3 disclosures within the 2017 Annual Report and Financial Statements and this document.

For the first time publication of the revised Pillar 3 disclosure requirements as at 31 December 2017 comparative period information and related commentary on movements in the period have been provided where the disclosure is substantially unchanged from prior period reporting. Accordingly full comparative figures and movement commentary will be provided at the end of the first relevant reporting period in 2018.

Format of Pillar 3 disclosures

As defined by the EBA certain Pillar 3 disclosures follow a fixed format whereas other disclosures are flexible and may be modified to a certain degree to present the most relevant information. Revised Pillar 3 requirements are presented under the relevant EBA table/ template reference (e.g. EU OVA, EU LI1). Pillar 3 disclosures may also include column labelling as prescribed by the EBA. Naming conventions are based upon the EBA guidance and may not reflect UBS naming conventions.

Governance over Pillar 3 Disclosures

The Board of Directors and senior management are responsible for establishing and maintaining an effective internal control structure over the disclosure of financial information, including Pillar 3 disclosures. In line with EBA requirements the company has established a board-approved Pillar 3 disclosure governance policy which includes information on the key internal controls and procedures designed to govern the preparation, review and sign-off of Pillar 3 disclosures. This Pillar 3 report has been verified and approved in line with this policy.

CRR Article	Pillar 3 Requirement (Part Eight CRR)	EU Table & Template Reference	Location of disclosure in 2017 Annual Report and Financial Statements of UBS Limited	Location of Pillar 3 disclosure in this supplementary disclosure document
435	Risk management objectives and policies	EU OVA, EU CRA, EU CCRA, EU MRA	Risk,treasury and capital management (Note 33)	Risk management objectives and policies
436	Scope of application	EU LIA	Strategic Report	-
435	UBS Limited Board of Directors and its diversity and recruitment policies		-	UBS Limited Board of Directors
437	Own Funds	EBA ITS 1423/2013	-	Own funds
		EU LI1, EU LI2, EU LI3	-	Own funds
438	Capital Requirements	EU OV1	Risk,treasury and capital management (Note 33)	-
		EU CCR7	-	Capital requirements
439	Exposure to counterparty credit risk		Risk,treasury and capital management (Note 33)	-
		EU CCR1, EU CCR2, EU CCR8, EU CCR5-A, EU CCR5-B, EU CCR6	-	Exposure to counterparty credit risk
440	Capital buffers	EBA ITS 2015/1555	-	Countercyclical capital buffer
442	Credit risk adjustments	EU CRB-A	Notes to the financial statements (Note 14)	-
		EU CRB-B, EU CRB	-	Credit exposure and credit risk adjustments
443	Asset Encumbrance	EBA RTS 2017/03	-	Asset encumbrance
444	Use of ECAIs	EU CRD	EU CR4, EU CR5, EU CCR3	External credit assessment institutions
445	Exposure to market risk		Risk,treasury and capital management (Note 33)	-
		EU MR1	-	Capital requirements
446	Operational risk		Risk,treasury and capital management (Note 33)	Capital requirements
447	Exposure in equities not included in the trading book		-	Exposures in equities not included in the trading book
448	Exposure to interest rate risk on positions not included in the trading book		Risk,treasury and capital management (Note 33)	-
449	Exposure to securitisation positions		-	Securitisation positions
435(1)	Liquidity	EBA/GL/2017/01 (Qualitative)	Risk,treasury and capital management (Note 33)	-
		EBA/GL/2017/01 (Quantitative)	-	Liquidity
451	Leverage Ratio	EBA ITS/2014/04 (Qualitative)	Risk,treasury and capital management (Note 33)	-
		EBA ITS/2014/04 (Quantitative)	-	Leverage ratio
453	Use of credit risk mitigation techniques	EU CRC	Risk,treasury and capital management (Note 33)	-
		EU CR3	-	Credit risk mitigation
450	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.

Trading market risks are managed on an integrated basis at a portfolio level. As risk factor sensitivities change due to new transactions, transaction expiries or changes in in market risk levels, risk factors are dynamically hedged to remain within limits. Accordingly in the trading portfolio we do not generally seek to distinguish between specific positions and associated hedges.

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 the reputation of UBS Limited and to its franchise, which have longer term financial consequences.

Risk Appetite and Key Ratios

Please refer to note 33 of UBS Limited's 2017 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 UBS Limited Board has delegated responsibility to implement and enforce the Company's risk governance framework to the Chief Risk Officer. Other responsibilities lie with the Chief Financial Officer, Chief Operating Officer, the Group Internal Audit UK Country Head and the UK Head of Compliance and Operational Risk Control. None of the individuals in these positions have changed role over the year.

The table below outlines exposures and Risk Weighted Assets (RWA) as well as 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.

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 30 December 2017 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 at the end of the year was well within the limit approved by the Board. The Company's credit risk exposures were also within Board approved limits as of 30 December 2017.

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.

Internal risk reporting

Consistent with the UBS Group, comprehensive and transparent reporting of risks is central to the control and oversight responsibilities set out in the risk governance framework and is a requirement of our risk management and control principles. Accordingly, risks are reported at a frequency and to a level of detail commensurate with the extent and variability of the risk and the needs of the various governance bodies, regulators and risk authority holders. The Company utilizes the the same internal risk reporting systems as the UBS Group.

Trading Book Policy

UBS Limited has adopted the UBS Group Market Risk Framework policy that sets out the principles and criteria for the management and control of market risk, including identifying and classifying trading book positions for the purpose of regulatory capital treatment. The policy also stipulates the control requirements for the management and regular monitoring of the trading book status of positions and the procedures for escalation where necessary. Positions are considered eligible for the trading portfolio for the purposes of regulatory capital treatment where they arise from activities which are conducted by designated trading units, are conducted with trading intent, the positions created are considered tradeable and risks are actively managed. A position is considered tradeable where a number of criteria are satisfied, including minimum liquidity requirements, the ability to value the risk positions daily and the absence of trading restrictions on the positions. The Group Market Risk Framework has not changed over the year.

Risk Culture

UBS Limited's risk culture is common to the UBS Group and further details can be found in the UBS Group AG Annual Report under the section headed 'Risk appetite framework' at the link on page 3 of this document.

Key Ratios

GBP million	31.12.17	31.12.16
Total Credit Exposure	16,134	15,640
Total RWA	10,473	11,081
Of which credit risk (including CVA Risk)	*7,249*	*7,683*
Of which market risk	*1,876*	*2,017*
Of which operational risk	*1,349*	*1,381*
Capital Ratio - CET1	24.15%	22.75%
Capital Ratio - Tier 1	26.39%	24.87%
Capital Ratio - Total Capital	32.93%	31.06%
Leverage Ratio	7.59%	7.70%
Liquidity Coverage Ratio	454%	-

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 2017 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 and Governance 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 and Governance Committee considers a broad range of qualities and competencies. In addition, the Nomination and Governance 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 2017 under the section "Our Employees, Attracting and recruiting talent".

The Nomination and Governance Committee held seven meetings during 2017.

Board Biographies

As at 22 March 2018 the Board consisted of 8 Directors (4 Executive and 4 Non-Executive), summaries of their respective knowledge, skills and expertise are set out below:

- Michelle Bereaux was appointed a Non-Executive Director of UBS Limited on 16 June 2015 and is additionally Chairman of the Remuneration Committee. Michelle qualified as a solicitor with 24 years' experience in the banking and financial services industry. Michelle re-joined 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.
- 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 UK and Corporate Center CFO.

UBS Limited directors – number of directorships

	Total number of Directorships held at 31 Dec 2017 or, if later, at date of appointment	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	1	–	1 (1 x NE)
Nigel P Bretton	1	–	1 (1 x E)
M (Miriam) M González Durántez	3	2	1 (1 x NE)
Beatriz Martin Jimenez	1	–	1 (1 x E)
Jonathan (Bobby) P A Magee	2	–	2 (2 X NE)
Andrea Orcel	5	2	1 (1 X E)
David C B Soanes	1	–	1 (1 x E)
John H Tattersall	15	9	4 (4 X NE)

- Miriam González Durántez is a partner of international law firm Dechert LLP and is co-chair of that firm's International Trade and Government Regulation practice and a member of the London Management Committee. Prior to joining Dechert, Miriam led the trade practice of another major international law firm. Miriam previously served seven years as a Senior Member of the Cabinet for EU External Relations Commissioners Chris Patten and Benita Ferrero-Waldner, where Miriam had responsibility for EU relations and trade with the Middle East, the U.S. and Latin America, as well as a FCO adviser during the UK Presidency of the European Union. After studying law at the University of Valladolid, Miriam carried on her studies at the College of Europe, in Bruges, Belgium. Miriam was also a Senior Associate Member of St Antony's in Oxford. Miriam is a Non-Executive Member of the Board and Chair of the Audit Committee of UBS Limited and prior to that was a member of the Audit Committee at Acciona and the chair of the Audit and Risk Committees at UBS Bank S.A. in Spain. Miriam is also the Honorary President of Canning House and a member of the International Advisory Board of the Instituto de Empresa in Spain. Miriam is also the Founder and Chair of "Inspiring Girls", a charity dedicated to raising the aspirations of young girls around world by connecting girls and female role models.
- 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 Erasumus exchange program, completing a year at the Frankfurt School of Finance and Management.
- Jonathan (Bobby) Magee was appointed a Non-Executive Director of UBS Limited on 12 March 2015. 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 2007 Bobby 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 President 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.
- 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 UBSL Board in December 2014, David also became the UBS UK Country Head as well as a member of the UBS UK Executive Committee

- 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 and Governance Committee on 1 January 2016 and had previously held Chairmanships of the Risk Committee and the Audit Committee. John is additionally a member of the Remuneration 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 also Chairman of UK Asset Resolution and its principal subsidiaries Bradford & Bingley PLC and NRAM Limited, and a non-executive board member of one other financial services firm and a number of 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.

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 diversity 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 and Governance 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 2017 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. The Board comprises of 37.5% of females and continued to achieve its target of at least 25% female representation on the board throughout the year.

Scope of regulatory application

The following section outlines the scope of the application of the regulatory regime to UBS Limited in accordance with Article 436, Part Eight of the CRR. It should be noted that UBS Limited is a standalone entity in the EU so, where relevant, the requirements for consolidated groups are represented by the solo entity.

EU LI1: Differences between accounting and regulatory scope of consolidation and the mapping of financial statement categories with regulatory risk categories

As UBS Limited is a solo entity the regulatory and accounting consolidation entities are the same in the following table.

EU LI1 - Mapping of financial statement categories with regulatory risk categories

		Carrying values under scope of regulatory consolidation				
GBP million	Carrying values as reported in published financial statements	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and balances with central banks	109	109	–	–	–	–
Due from banks	1,170	1,170	–	–	–	–
Cash collateral on securities borrowed	4,310	–	4,310	–	4,310	–
Reverse repurchase agreements	4,856	–	4,856	–	4,856	–
Trading portfolio assets	4,122	–	–	–	4,122	–
Of which assets pledged as collateral which may be sold or repledged by counterparts	–	–	–	–	–	–
Positive replacement values	11,754	–	11,726	28	11,754	–
Cash collateral receivable on derivative instruments	5,509	–	5,509	–	–	–
Loans & advances to customers	740	213	528	–	–	–
Financial assets designated at fair value	2,715	2,615	100	–	100	–
Other amounts due from group undertakings	116	116	–	–	0	–
Financial investments available-for-sale	2	2	–	–	0	–
Other assets	158	158	–	–	0	–
Deferred tax assets	7	–	–	–	–	7
Total assets	**35,569**	**4,382**	**27,030**	**28**	**25,143**	**7**
Liabilities						
Due to banks	4,777	–	–	–	–	4,777
Cash collateral on securities lent	105	–	105	–	105	–
Repurchase agreements	4,298	–	4,298	–	4,298	–
Trading portfolio liabilities	4,931	–	–	–	4,931	–
Negative replacement values	12,032	–	12,032	–	12,032	–
Cash collateral payable on derivative instruments	5,548	–	5,548	–	–	–
Due to customers	359	–	–	–	–	359
Financial liabilities designated at fair value	260	–	184	–	184	76
Other amounts owed to group undertakings	101	–	–	–	–	101
Other liabilities	298	–	–	–	–	298
Tax provision	23	–	–	–	–	23
Provisions	31	–	–	–	–	31
Total liabilities	**32,761**	**–**	**22,166**	**–**	**21,550**	**5,664**

EU LI2: Main sources of differences between regulatory exposure amounts and carrying values in the financial statements

The following table provides an overview of the main sources of differences between the financial statement carrying value amounts and the exposure amounts used for regulatory purposes.

EU LI2 - Main sources of differences between regulatory exposure and carrying values in financial statements

		Items subject to			
GBP million	Total	Credit risk framework	CCR framework	Securitisation framework	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	35,569	4,382	27,030	28	25,143
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	32,761	–	22,166	–	21,550
Total net amount under the regulatory scope of consolidation	2,808	4,382	4,864	28	3,593
Off-balance-sheet amounts	1,475	1,475	–	–	–
Derivatives	*10,673*	–	*10,673*	–	–
SFTs	*(767)*	–	*(767)*	–	–
Other	*6,256*	*(209)*			
Volatility adjustment to exposure	*228*	–	*228*	–	–
Exposure amounts considered for regulatory purposes [1]	20,674	5,648	14,998	28	0[2]

1. Exposure is before the allocation of credit conversion factor, credit risk mitigation and after the application of volatility adjustments
2. No value is shown for market risk because its focus is around capital requirements and not exposure value
- Exposures included under counterparty credit risk include derivatives (Exchange Traded (ETD) and both cleared and uncleared Over the Counter (OTC)

EU LI3: Outline of the differences in the scope of consolidation (entity by entity)

EBA table 'EU LI3 – an outline of the differences in the scopes of consolidation (entity by entity)' is not shown as UBS Limited is a solo entity within the EU regulatory regime.

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

GBP million	31.12.17	31.12.16
Balance sheet total equity[1]	2,808	2,874
Add:		
Tier 2 instruments classified as other liabilities	685	687
Less:		
Prudential Filters	(31)	(33)
Deferred tax assets	(7)	(47)
Own credit gains	(6)	(38)
Total Own Funds	3,449	3,442

[1] Taken from audited results for UBS Limited as set out in its Annual Report and Financial Statements 2017

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	15.05.2014	14.05.2014
Perpetual or dated	Perpetual	Perpetual	Dated
Original maturity date	No Maturity	No Maturity	14.05.2024
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 I 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	31.12.17	31.12.16
Common Equity Tier 1 capital instruments and the related share premium accounts		
of which:		
Instrument type 1	2,411	2,411
Retained earnings	161	227
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	2	2
Common Equity Tier 1 (CET1) capital before regulatory adjustments	2,573	2,639
Additional value adjustments	(31)	(33)
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)	(7)	(47)
Gains or losses on balance sheet amounts valued at fair value resulting from changes in own credit standing	(6)	(38)
Total Common Equity Tier 1 capital	2,529	2,521
Additional Tier 1 capital instruments and the related share premium accounts		
of which:		
classified as equity under applicable accounting standards	235	235
Total Additional Tier 1 capital	235	235
Total Tier 1 capital	2,764	2,756
Tier 2 capital instruments and the related share premium accounts	685	687
Total Tier 2 capital	685	687
Total Own Funds	3,449	3,442

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 these processes form part of the UBS Limited Internal Capital Adequacy Assessment Process document (ICAAP) which is submitted annually to the PRA. The ICAAP is then assessed by and discussed with the PRA who use it as part of their Supervisory Review and Evaluation Process (SREP) to 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 AG 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'.

EU OV1: Overview of RWAs

The following table outlines an overview of the RWAs and capital requirement for UBS Limited. Going forwards, from the end of Q1 2018, there will also be disclosed a comparative figure for the prior reporting period together with an explanation of material variances therein. As this is the first time that such figures are being published, in accordance with the EBA guidelines, there are no comparative figures for this initial disclosure.

EU - OV1 - Overview of RWAs

GBP million	RWA	Capital Requirements
Credit Risk (excluding CCR)	1,098	88
of which the standardised approach	*1,098*	*88*
of which the foundation IRB (FIRB) approach	–	–
of which the advanced IRB (AIRB) approach	–	–
of which the equity IRB under the simple risk weighted approach or the IMA	–	–
CCR	6,113	489
of which mark to market	*2,887*	*231*
of which original exposure	–	–
of which the standardised approach	–	–
of which the internal model method (IMM)	*2,152*	*172*
of which risk exposure amount for contributions to the default fund of a CCP	*209*	*40*
of which CVA	*865*	*69*
Settlement risk	37	3
Securitisation exposures in the banking book (after the cap)	–	–
of which IRB approach	–	–
of which IRB supervisory formula approach (SFA)	–	–
of which internal assessment approach (IAA)	–	–
of which standardised approach	–	–
Market risk	1,876	150
of which IMA	–	–
Large exposures	–	–
Operational risk	1,349	108
of which BIA approach	*1,349*	*108*
of which standardised approach	–	–
of which advanced measurement approach	–	–
Amounts above the threshold for deduction (subject to 250% risk weight)	–	–
Floor adjustment	–	–
Total	10,473	838

EU MR1: Market Risk under the standardised approach

The following table outlines the breakdown of market risk within UBS Limited by the main categories, showing RWAs and capital requirements. As UBS Limited does not utilise advanced methodologies these disclosures are derived under the standardised approach.

EU MR1: Market Risk under the standardised approach

GBP million	RWAs	Capital requirements
Outright products		
Interest rate risk (general and specific)	1,243	99
Equity Risk (general and specific)	315	25
Foreign exchange risk	303	24
Commodity risk	–	–
Options		
Simplified approach	–	–
Delta-plus method	15	1
Scenario approach	–	–
Securitisation (specific risk)	–	–
Total	1,876	150

Exposure to counterparty credit risk

UBS Limited has not included template 'EU – CCR7: RWA flow statements of Counterparty Credit Risk (CCR) exposures under the IMM' for this disclosure as it requires a RWA figure for the prior period. Under the EBA guidelines prior period disclosures are not required for first time disclosures under the EBA guidelines,. EU CCR7 will be produced for subsequent disclosure periods.

EU CCR1 – Analysis of CCR exposure by approach

The following table provides a view of the methods utilized to calculate CCR regulatory requirements together with the main parameters utilized for each methodology including Market Values (MV), Potential Future Credit Exposures (PFCE), Effective Expected Positive Exposure (EEPE), Exposure at Default (EAD) and Credit Risk Mitigation (CRM) effects.

EU CCR1 - Analysis of CCR exposure by approach

GBP million	Notional	Replacement cost/current MV	PFCE	EEPE	Multiplier	EAD post CRM	RWA
Mark to market		836	9,762			5,963	2,112
Original Exposure	–					–	–
Standardised approach		–			–	–	–
IMM (for derivatives and SFTs)				3,448	2	3,298	1,741
of which SFTs				–	–	–	–
of which derivatives and long settlement transactions				3,448	2	3,298	1,741
of which from contractual cross product netting				–	–	–	–
Financial collateral simple method (for SFTs)						–	–
Financial collateral comprehensive method (for SFTs)						1,608	775
VaR for SFTs						1,178	411
Total							5,039

EU CCR2 CVA capital charge

The following table provides the breakdown of the CVA capital charge by approach, UBS Limited currently only utilizes the standardized approach for CVA charge calculation.

EU CCR2 - CVA Capital charge

GBP million	Exposure value	RWA
Total portfolios subject to the advanced method	–	–
(i) VaR component (including the 3× multiplier)		–
(ii) SVaR component (including the 3× multiplier)		–
All portfolios subject to the standardised method	2,027	865
Based on the original exposure method	–	–
Total subject to the CVA charge	2,027	865

EU CCR8 – Exposures to CCPs

The following table provides an overview of the CCR charge resulting from exposures to Central Clearing Counterparties (CCP). It sets out the types of exposures as well as their related capital charges.

EU - CCR8 - Exposure to CCPs

GBP million	Exposure value	RWA
Exposures to QCCPs (total)[1]		553
Exposures for trades at QCCPs; of which	4,158	344
(i) OTC derivatives	1,118	46
(ii) Exchange-traded derivatives	2,037	126
(iii) SFTs	1,003	173
(iv) Netting sets where cross-product netting has been approved	–	–
Segregated initial margin	–	
Non-segregated initial margin	–	–
Prefunded default fund contributions	399	209
Alternative calculation of own funds requirements for exposures		–
Exposures to non-QCCPs (total)		–
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	–	–
(i) OTC derivatives	–	–
(ii) Exchange-traded derivatives	–	–
(iii) SFTs	–	–
(iv) Netting sets where cross-product netting has been approved	–	–
Segregated initial margin	–	
Non-segregated initial margin	–	–
Prefunded default fund contributions	–	–
Unfunded default fund contributions	–	–

[1] Exposures associated with initial margin that have not been excluded under CRR Article 306(1)(c), have been subsumed within the exposure values disclosed under (i), (ii) and (iii) where appropriate

EU CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk

The following table provides a breakdown of CCR exposures by type of portfolio and risk weight.

EU CCR3 - Standardised approach - CCR exposures by regulatory portfolio and risk[1]

31.12.17	Risk Weight												Total	Of which unrated
GBP million	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	1250%	Other		
Exposure classes														
Central governments and central banks	365	–	–	–	–	–	–	–	–	–	–	–	365	159
Regional governments and local authorities	–	–	–	–	8	53	–	–	–	–	–	–	62	13
Public sector entities	–	–	–	–	5	34	–	–	32	–	–	–	71	51
Multilateral development banks	8	–	–	–	–	–	–	–	–	–	–	–	8	–
International Organisations	3	–	–	–	–	–	–	–	–	–	–	–	3	3
Institutions	–	2,709	–	–	2,542	2,641	–	–	148	2	–	–	8,042	2,514
Corporates	–	–	–	–	513	326	–	–	2,646	2	–	–	3,486	2,605
Exposures in default	–	–	–	–	–	–	–	–	–	9	–	–	9	9
Securitisations	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total	377	2,709	–	–	3,068	3,055	–	–	2,825	12	–	–	12,046	5,353

31.12.16	Risk Weight												Total	Of which unrated
GBP million	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	1250%	Other		
Exposure classes														
Central governments and central banks	284	–	–	–	–	2	–	–	–	–	–	–	287	77
Regional governments and local authorities	–	–	–	–	58	62	–	–	–	–	–	–	120	58
Public sector entities	–	–	–	–	5	–	–	–	34	–	–	–	40	34
Multilateral development banks	49	–	–	–	–	–	–	–	–	–	–	–	49	–
International Organisations	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Institutions	–	961	–	–	3,164	2,056	–	–	319	1	–	–	6,501	3,236
Corporates	–	–	–	–	599	415	–	–	2,606	2	–	–	3,622	2,561
Securitisations	–	–	–	–	–	–	–	–	–	–	1	3	4	4
Total	333	961	–	–	3,827	2,535	–	–	2,959	3	1	3	10,623	5,971

[1] Exposure is taken after the application of CCFs and CRM and the addition of volatility adjustments to exposures

The table shows counterparty credit risk exposures which for UBS Limited are driven mainly by OTC trading, clearing of exchange traded derivatives and securities financing activities. Within exposure classes the main change in exposure is within institutions. Approximately 75% of this is within the ETD clearing business. For regulatory purposes the mark to market method is used. Exposure values vary with client activity and market price movements and as such can be volatile within the mark to market method. Business from new clients during the year and some booking changes in response to MIFID 2 were also factors. The remainder of the institutional exposure increase is in OTC.
The migration of risk to institutions from 20% risk weight to 2% risk weight was achieved through a better process for treating the exposure to a CCP. Apart from the 20% to 2% migration in exposure to institutions, materially the spread of exposure over risk weights has remained comparatively stable over the year.

EU CCR5-A – Impact of netting and collateral held on exposure values

The following table outlines the impact of netting and collateral held on CCR exposures, including exposures arising from transactions cleared through a CCP.

EU CCR5-A - Impact of netting and collateral held on exposures

GBP million	Gross positive fair value[1]	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	26,655	10,476	16,179	7,130	9,049
SFTs	19,694	15,733	3,962	1,192	2,770
Total	46,349	26,209	20,141	8,322	11,818

[1] Derivatives gross positive fair value is materially the sum of gross positive replacement value together with the gross PFCE of the trades treated under the mark to market methodology and the EEPE exposure calculated using the company's approved credit model. SFT gross positive fair value is materially the asset value, from both the on- and off- balance sheet, of cash and securities lent out and the company's approved model for calculating SFT exposure.

EU CCR5-B – Composition of collateral for exposures to CCR

The following table provides a breakdown of all types of collateral posted or received to support CCR exposures on derivatives and SFTs.

EU CCR5-B - Composition of collateral for exposures to CCR

	Collateral used in derviative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of collateral posted			
GBP million	Segregated	Unsegregated	Segregated	Unsegregated	Fair value of collateral received	Fair value of collateral posted
Cash	2,959	2,589	2,698	2,811	9,166	4,403
Non-cash	3,531	1,054	3,788	711	21,375	18,384
Total	6,490	3,643	6,486	3,522	30,541	22,787

EU CCR6 - Credit derivatives exposures

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.

EU CCR6 - Credit derivative exposures

GBP million	Protection bought	Protection sold	Other
Notionals			
Single name credit default swaps	1,869	1,044	–
Multi name credit default swaps	1,802	1,793	–
Total Notionals	3,671	2,837	–
Fair values			
Positve fair value (asset)	91	92	–
Negative fair value (liability)	120	23	–

A three notch downgrade in in the credit rating of UBS Limited at 31 December 2017 would have required the Company to deliver additional collateral worth GBP 140 million (2016 - GBP 74 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 2017, split by geographical distribution, utilised in the calculation of the countercyclical capital buffer.

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

31.12.17 *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	*4*	*–*	*–*	*0*	*–*	*–*	*0*	*0.08*	*0.000%*
Australia	*15*	*7*	*–*	*1*	*0*	*–*	*1*	*0.37*	*0.000%*
Austria	*2*	*1*	*–*	*0*	*0*	*–*	*0*	*0.06*	*0.000%*
Bahrain	*1*	*–*	*–*	*0*	*–*	*–*	*0*	*0.03*	*0.000%*
Belgium	*230*	*2*	*–*	*18*	*0*	*–*	*18*	*4.98*	*0.000%*
Bermuda	*0*	*2*	*–*	*0*	*0*	*–*	*0*	*0.02*	*0.000%*
Brazil	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*0.000%*
British Virgin Islands	*1*	*4*	*–*	*0*	*0*	*–*	*0*	*0.04*	*0.000%*
Canada	*3*	*5*	*–*	*0*	*0*	*–*	*1*	*0.18*	*0.000%*
Cayman Islands	*8*	*13*	*–*	*1*	*0*	*–*	*1*	*0.31*	*0.000%*
China	*11*	*–*	*–*	*1*	*–*	*–*	*1*	*0.23*	*0.000%*
Curaçao	*0*	*0*	*–*	*0*	*0*	*–*	*0*	*0.00*	*0.000%*
Cyprus	*0*	*0*	*–*	*0*	*0*	*–*	*0*	*0.01*	*0.000%*
Czech Republic	*–*	*0*	*–*	*–*	*0*	*–*	*0*	*0.00*	*0.900%*
Denmark	*19*	*14*	*–*	*1*	*0*	*–*	*2*	*0.48*	*0.000%*
Finland	*101*	*6*	*–*	*8*	*0*	*–*	*8*	*2.21*	*0.000%*
France	*974*	*150*	*–*	*39*	*10*	*–*	*49*	*13.41*	*0.000%*
Germany	*38*	*73*	*–*	*3*	*4*	*–*	*7*	*1.93*	*0.000%*
Greece	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*0.000%*
Guernsey	*–*	*0*	*–*	*–*	*0*	*–*	*0*	*0.01*	*0.000%*
Hong Kong	*29*	*–*	*–*	*2*	*–*	*–*	*2*	*0.64*	*1.250%*
Hungary	*6*	*–*	*–*	*0*	*–*	*–*	*0*	*0.12*	*0.000%*
Ireland	*85*	*10*	*–*	*5*	*1*	*–*	*6*	*1.63*	*0.000%*
Isle of Man	*14*	*0*	*–*	*1*	*0*	*–*	*1*	*0.30*	*0.000%*
Israel	*0*	*1*	*–*	*0*	*0*	*–*	*0*	*0.01*	*0.000%*
Italy	*468*	*53*	*0*	*38*	*4*	*0*	*42*	*11.44*	*0.000%*
Japan	*33*	*26*	*–*	*3*	*4*	*–*	*7*	*1.92*	*0.000%*
Jersey	*0*	*25*	*–*	*0*	*1*	*–*	*1*	*0.24*	*0.000%*
Luxembourg	*382*	*78*	*–*	*31*	*8*	*–*	*39*	*10.56*	*0.000%*
Malaysia	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*0.000%*
Malta	*16*	*0*	*–*	*1*	*0*	*–*	*1*	*0.36*	*0.000%*
Mauritius	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*0.000%*
Mexico	*–*	*0*	*–*	*–*	*0*	*–*	*0*	*0.00*	*0.000%*
Monaco	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*0.000%*

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

31.12.17 *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)									
Netherlands	*335*	*115*	*–*	*26*	*6*	*–*	*32*	*8.80*	*0.000%*
New Zealand	*9*	*6*	*–*	*1*	*0*	*–*	*1*	*0.23*	*0.000%*
Norway	*15*	*4*	*–*	*0*	*0*	*–*	*0*	*0.11*	*2.000%*
Oman	*0*	*–*	*–*	*0*	*–*	*–*	*0*	*0.00*	*0.000%*
Poland	*–*	*4*	*–*	*–*	*0*	*–*	*0*	*0.04*	*0.000%*
Portugal	*–*	*9*	*–*	*–*	*0*	*–*	*0*	*0.05*	*0.000%*
Russia	*21*	*1*	*–*	*2*	*0*	*–*	*2*	*0.47*	*0.000%*
Saudi Arabia	*0*	*–*	*–*	*0*	*–*	*–*	*0*	*0.01*	*0.000%*
Singapore	*48*	*–*	*–*	*4*	*–*	*–*	*4*	*1.03*	*0.000%*
South Africa	*–*	*1*	*–*	*–*	*0*	*–*	*0*	*0.01*	*0.000%*
South Korea	*3*	*0*	*–*	*0*	*0*	*–*	*0*	*0.07*	*0.000%*
Spain	*311*	*45*	*–*	*25*	*3*	*–*	*28*	*7.61*	*0.000%*
Sweden	*162*	*28*	*–*	*10*	*2*	*–*	*12*	*3.40*	*2.000%*
Switzerland	*151*	*9*	*–*	*7*	*1*	*–*	*9*	*2.33*	*0.000%*
Taiwan	*48*	*–*	*–*	*4*	*–*	*–*	*4*	*1.05*	*0.000%*
Thailand	*2*	*–*	*–*	*0*	*–*	*–*	*0*	*0.05*	*0.000%*
Timor-Leste	*1*	*–*	*–*	*0*	*–*	*–*	*0*	*0.02*	*0.000%*
Turkey	*–*	*1*	*–*	*–*	*0*	*–*	*0*	*0.03*	*0.000%*
United Arab Emirates	*66*	*–*	*–*	*5*	*–*	*–*	*5*	*1.45*	*0.000%*
United Kingdom	*705*	*307*	*–*	*55*	*15*	*–*	*70*	*19.22*	*0.000%*
United States	*52*	*151*	*–*	*4*	*5*	*–*	*9*	*2.45*	*0.000%*
Total	4,371	1,153	0	300	66	0	366	100.00	

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

31.12.16 *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	*4*	*–*	*–*	*0*	*–*	*–*	*0*	*0.08*	*0.000%*
Australia	*12*	*14*	*–*	*1*	*0*	*–*	*1*	*0.32*	*0.000%*
Austria	*10*	*2*	*–*	*1*	*0*	*–*	*1*	*0.23*	*0.000%*
Belgium	*111*	*33*	*–*	*9*	*1*	*–*	*10*	*2.66*	*0.000%*
Bermuda	*3*	*2*	*–*	*0*	*0*	*–*	*0*	*0.12*	*0.000%*
Brazil	*0*	*1*	*–*	*0*	*0*	*–*	*0*	*0.02*	*0.000%*
British Virgin Islands	*0*	*1*	*–*	*0*	*0*	*–*	*0*	*0.01*	*0.000%*
Canada	*44*	*36*	*–*	*4*	*2*	*–*	*6*	*1.52*	*0.000%*
Cayman Islands	*15*	*11*	*–*	*1*	*0*	*–*	*1*	*0.37*	*0.000%*
China	*8*	*–*	*–*	*1*	*–*	*–*	*1*	*0.16*	*0.000%*
Curaçao	*–*	*1*	*–*	*–*	*0*	*–*	*0*	*0*	*0.000%*

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

31.12.16 *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)									
Cyprus	*9*	*0*	*–*	*1*	*0*	*–*	*1*	*0.18*	*0.000%*
Czech Republic	*–*	*0*	*–*	*–*	*0*	*–*	*0*	*0.00*	*0.000%*
Denmark	*29*	*11*	*–*	*2*	*0*	*–*	*3*	*0.71*	*0.000%*
Finland	*110*	*15*	*–*	*8*	*1*	*–*	*10*	*2.51*	*0.000%*
France	*1,030*	*103*	*–*	*50*	*6*	*–*	*55*	*14.57*	*0.000%*
Germany	*56*	*99*	*–*	*4*	*5*	*–*	*9*	*2.40*	*0.000%*
Greece	*–*	*1*	*–*	*–*	*0*	*–*	*0*	*0.02*	*0.000%*
Guernsey	*0*	*0*	*–*	*0*	*0*	*–*	*0*	*0.00*	*0.000%*
Hong Kong	*17*	*–*	*–*	*1*	*–*	*–*	*1*	*0.35*	*0.625%*
Hungary	*0*	*–*	*–*	*0*	*–*	*–*	*0*	*0.01*	*0.000%*
Ireland	*75*	*26*	*–*	*6*	*2*	*–*	*7*	*1.95*	*0.000%*
Isle of Man	*6*	*0*	*–*	*1*	*0*	*–*	*1*	*0.14*	*0.000%*
Israel	*–*	*1*	*–*	*–*	*0*	*–*	*0*	*0.01*	*0.000%*
Italy	*393*	*32*	*3*	*31*	*3*	*–*	*34*	*8.88*	*0.000%*
Japan	*43*	*20*	*–*	*3*	*1*	*–*	*4*	*1.16*	*0.000%*
Jersey	*0*	*25*	*–*	*0*	*1*	*–*	*1*	*0.24*	*0.000%*
Kazakhstan	*–*	*0*	*–*	*–*	*0*	*–*	*0*	*0.00*	*0.000%*
Luxembourg	*411*	*88*	*–*	*33*	*7*	*–*	*40*	*10.52*	*0.000%*
Malaysia	*0*	*–*	*–*	*0*	*–*	*–*	*0*	*0.00*	*0.000%*
Malta	*19*	*0*	*–*	*2*	*0*	*–*	*2*	*0.41*	*0.000%*
Mauritius	*77*	*–*	*–*	*6*	*–*	*–*	*6*	*1.62*	*0.000%*
Mexico	*–*	*1*	*–*	*–*	*0*	*–*	*0*	*0.01*	*0.000%*
Monaco	*0*	*–*	*–*	*0*	*–*	*–*	*0*	*0.00*	*0.000%*
Netherlands	*458*	*149*	*–*	*32*	*6*	*–*	*38*	*9.97*	*0.000%*
New Zealand	*9*	*2*	*–*	*1*	*0*	*–*	*1*	*0.19*	*0.000%*
Norway	*12*	*8*	*–*	*0*	*0*	*–*	*1*	*0.15*	*1.500%*
Oman	*0*	*–*	*–*	*0*	*–*	*–*	*0*	*0.01*	*0.000%*
Poland	*–*	*0*	*–*	*–*	*0*	*–*	*0*	*0.01*	*0.000%*
Portugal	*0*	*0*	*–*	*0*	*0*	*–*	*0*	*0.01*	*0.000%*
Russia	*18*	*2*	*–*	*1*	*0*	*–*	*2*	*0.42*	*0.000%*
Saudi Arabia	*0*	*–*	*–*	*0*	*–*	*–*	*0*	*0.00*	*0.000%*
Singapore	*58*	*–*	*–*	*5*	*–*	*–*	*5*	*1.21*	*0.000%*
South Africa	*0*	*3*	*–*	*0*	*0*	*–*	*0*	*0.06*	*0.000%*
South Korea	*1*	*–*	*–*	*–*	*–*	*–*	*0*	*–*	*0.000%*
Spain	*258*	*22*	*–*	*21*	*2*	*–*	*22*	*5.86*	*0.000%*
Supranationals	*0*	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*0.000%*
Sweden	*172*	*15*	*–*	*9*	*1*	*–*	*10*	*2.62*	*1.500%*
Switzerland	*153*	*28*	*–*	*11*	*3*	*–*	*15*	*3.83*	*0.000%*
Taiwan	*3*	*–*	*–*	*0*	*–*	*–*	*0*	*0.06*	*0.000%*
Thailand	*35*	*–*	*–*	*3*	*–*	*–*	*3*	*0.74*	*0.000%*
Turkey	*–*	*4*	*–*	*–*	*0*	*–*	*0*	*0.08*	*0.000%*
United Arab Emirates	*9*	*0*	*–*	*1*	*0*	*–*	*1*	*0.20*	*0.000%*
United Kingdom	*849*	*251*	*–*	*64*	*13*	*–*	*77*	*20.20*	*0.000%*
United States	*295*	*136*	*–*	*7*	*5*	*–*	*12*	*3.19*	*0.000%*
Total	4,816	1,140	3	319	61	–	380	100	

Countercyclical capital buffer

The table below sets out the calculation of the countercyclical capital buffer as at 31 December 2017.

Amount of institution-specific countercyclical capital buffer

GBP million	31.12.17	31.12.16
Total risk exposure amount	10,473	11,081
Institution-specific countercyclical buffer rate	0.078%	0.044%
Institution-specific countercyclical capital buffer requirement	8	5

Credit exposure and credit risk adjustments

EU CRB-B – Total & average net amount of exposures

The following table shows the average amount of net exposures over the period by exposure class.

EU CRB-B - Total and average net amount of exposures[1]

GBP Million	Net value of exposures at the end of the period	Average net exposures over the period
Central governments or central banks	2,461	3,041
Regional governments or local authorities	98	84
Public sector entities	169	166
Multilateral development banks	276	416
International organisations	394	279
Institutions	11,033	10,261
Corporates	5,956	6,751
Of which: SMEs	–	–
Exposures in default	9	17
Items associated with particularly high risk	25	26
Equity exposures	2	2
Other exposures	24	89
Total standardised approach	20,446	21,130

[1] Exposure is taken before the application of CCFs and CRM

EU CRB-C – Geographical breakdown of exposures

The following table provides a breakdown of exposures by geographical areas and exposure classes.

EU - CRB-C - Geographical breakdown of exposures[1]

31.12.17 *GBP million*	Austria	France	Germany	Italy	Luxembourg	Netherlands	Spain	Sweden	Switzerland	United Kingdom	Rest of Europe	Total Europe	Rest of World	Supranationals	Total All regions
Central governments and central banks	404	609	508	49	–	–	–	17	38	127	206	1,960	283	–	2,243
Regional governments and local authorities	–	–	–	49	–	–	–	37	–	–	–	86	13	–	99
Public sector entities	–	4	–	47	–	99	–	–	–	–	–	151	19	–	170
Multilateral development banks	–	–	–	–	–	–	–	–	–	–	–	–	–	277	277
International organisations	–	–	–	–	–	–	–	–	–	–	–	–	–	301	301
Institutions	66	2,549	451	508	394	183	243	365	781	2,326	227	8,093	568	–	8,660
Corporates	2	985	38	459	369	335	311	162	151	680	506	3,999	337	–	4,337
Exposures in default	–	–	–	9	–	–	–	–	–	–	–	9	–	–	9
Items of high risk	–	–	–	–	12	–	–	–	–	–	–	12	–	–	12
Securitisation positions	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Equity exposures	–	–	–	–	–	–	–	–	–	2	–	2	–	–	2
Other items	–	–	–	–	–	–	–	–	–	24	–	24	–	–	24
Total	473	4,149	997	1,121	776	617	554	581	969	3,159	939	14,336	1,220	578	16,134

31.12.16 *GBP million*	Austria	France	Germany	Italy	Luxembourg	Netherlands	Spain	Sweden	Switzerland	United Kingdom	Rest of Europe	Total Europe	Rest of World	Supranationals	Total All regions
Central governments and central banks	432	374	153	62	–	174	–	128	–	1,234	186	2,743	121	–	2,864
Regional governments and local authorities	–	44	–	62	–	–	–	–	–	–	–	107	14	–	120
Public sector entities	–	5	–	34	–	–	–	–	–	–	–	40	–	–	40
Multilateral development banks	–	–	–	–	–	–	–	–	–	–	–	–	–	821	821
International organisations	–	–	–	–	–	–	–	–	–	–	–	–	–	107	107
Institutions	73	1,922	589	534	98	405	147	192	544	1,446	272	6,222	636	–	6,857
Corporates	10	1,031	56	393	411	458	258	172	153	753	382	4,078	652	–	4,730
Exposures in default	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Exposures associated with particularly high risk	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Securitisations	–	–	–	4	–	–	–	–	–	–	–	4	–	–	4
Equity exposures	–	–	–	–	–	–	–	–	–	2	–	2	–	–	2
Other items	–	–	–	–	–	–	–	–	–	95	–	95	–	–	95
Total	515	3,378	798	1,090	509	1,037	405	492	697	3,529	840	13,290	1,423	927	15,640

[1] - Exposure is taken after the application of CCFs and CRM and the addition of volatility adjustments to exposures
- In this table the level of materiality that has been applied is GBP500m. Any geographical area with a total 2017 exposure of greater than GBP500m has been split and a disclosure made for any country with an exposure greater than GBP500m in either of the years 2017 or 2016.
- Countries for which a credit risk exposure exists but for which no individual disclosure has been made are as follows: Andorra, Angola, Australia, Bahamas, Bahrain, Barbados, Belgium, Bermuda, Brazil, Brunei, Canada, Cayman Islands, Chile, China, Curaçao, Cyprus, Czech Republic, Denmark, Europe, Finland, Greece, Guernsey, Hong Kong, Hungary, India, Ireland, Isle of Man, Israel, Japan, Jersey, South Korea, Kuwait, Latvia, Liechtenstein, Macau, Malaysia, Malta, Mexico, Monaco, New Zealand, Norway, Oman, Panama, Philippines, Poland, Portugal, Russia, Saudi Arabia, Singapore, South Africa, Taiwan, Thailand, Timor-Leste, Turkey, United Arab Emirates, United States of America, Uruguay, British Virgin Islands.

The table shows that the geographical split of exposures is consistent across 2017 and 2016 with no new material country exposure.

In terms of exposure classes, the largest overall movement in exposure is in institutions (GBP1.8bn) of which GBP1.5bn has been described in table EU CCR3. The non-CCR reduction in exposures on central governments and central banks, regional and local governments, public sector entities, multilateral development banks, international organisations and the remainder of institutions, amounting to GBP508m, is a result of the reduction of on-balance sheet holdings of high quality liquid assets of GBP838m. The on-balance sheet liquidity buffer reduction has been offset by borrowed UK Government securities held in the off-balance sheet. The changes in the composition of the HQLA held under the control of Treasury resulted from actions to both diversify and reduce carry costs of the portfolio within constraints of the liquidity and risk frameworks.

EU CRB-D – Concentration of exposures by industry or counterpart types and exposure classes

The following table provides a breakdown of the exposures by industry or counterpart types and exposure classes.

EU CRB-D - Concentration of exposures by industry or counterparty types [1]

31.12.17 *GBP million*	Banks	Electricty, gas, water supply	Hotels & Restaurants	Communications	Manufacturing	Mining	Other	Private Households	Public Authorities	Real Estate	Retail & Wholesale	Services	Supranationals	Transportation	Total
Central governments and central banks	761	–	–	–	–	–	–	–	1,274	208	–	–	–	–	2,243
Regional governments and local authorities	–	–	–	–	–	–	–	–	99	–	–	–	–	–	99
Public sector entities	98	–	–	–	–	–	–	–	56	–	–	–	–	15	170
Multilateral development banks	268	–	–	–	–	–	–	–	–	–	–	–	8	–	277
International organisations	–	–	–	–	–	–	–	–	–	–	–	–	301	–	301
Institutions	8,638	–	–	–	–	–	–	–	7	11	–	4	–	–	8,660
Corporates	2,984	62	23	282	224	88	130	–	111	12	34	32	–	356	4,337
Exposures in default	9	–	–	–	–	–	–	–	–	–	–	–	–	–	9
Items of high risk	–	–	–	–	12	–	–	–	–	–	–	–	–	–	12
Securitisation positions	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Equity exposures	2	–	–	–	–	–	–	–	–	–	–	–	–	–	2
Other items	–	–	–	–	–	–	24	–	–	–	–	–	–	–	24
Total standardised approach	12,760	62	23	282	236	88	155	–	1,547	231	34	36	309	371	16,134

31.12.16 *GBP million*	Banks	Electricity, gas, water supply	Hotels & Restaurants	Communications	Manufacturing	Mining	Other	Private Households	Public Authorities	Real Estate	Retail & Wholesale	Services	Supranationals	Transportation	Total
Central governments and central banks	346	–	–	–	–	–	–	–	2,518	–	–	–	–	–	2,864
Regional governments and local authorities	–	–	–	–	–	–	–	–	120	–	–	–	–	–	120
Public sector entities	–	–	–	–	–	–	–	–	40	–	–	–	–	–	40
Multilateral development banks	772	–	–	–	–	–	–	–	–	–	–	–	49	–	821
International organisations	–	–	–	–	–	–	–	–	–	–	–	–	107	–	107
Institutions	6,842	–	–	–	–	–	–	–	12	3	–	2	–	–	6,857
Corporates	3,190	103	22	278	342	183	57	–	71	34	107	82	–	260	4,730
Exposures in default	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Items of high risk	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Securitisation positions	4	–	–	–	–	–	–	–	–	–	–	–	–	–	4
Equity exposures	2	–	–	–	–	–	–	–	–	–	–	–	–	–	2
Other items	–	–	–	–	–	–	95	–	–	–	–	–	–	–	95
Total standardised approach	11,156	103	22	278	342	183	152	–	2,761	37	107	83	156	260	15,640

[1] Exposure is taken after the application of CCFs and CRM and the addition of volatility adjustments to exposures

The split of exposures by industry type is consistent between 2017 and 2016. A description of the driver for the movements of exposures can be found in the commentary for table EU CRB-C.

EU CRB-E – Maturity of exposures

The following table provides a breakdown of net exposures by residual maturity and exposure classes.

EU CRB-E - Maturity of exposures [1]

31.12.17 *GBP million*	On demand	Due in 1 year or less	Due between 1 year and 5 years	Due over 5 years	No stated maturity	Total
Central governments and central banks	120	1,346	632	146	–	2,244
Regional governments and local authorities	–	50	19	29	–	99
Public sector entities	–	95	23	51	–	170
Multilateral development banks	7	15	255	–	–	277
International organisations	–	254	47	–	–	301
Institutions	349	5,259	1,803	1,250	–	8,661
Corporates	287	2,270	1,149	631	–	4,337
Exposures in default	–	9	–	–	–	9
Items of high risk	–	–	12	–	–	12
Securitisation positions	–	–	–	–	–	–
Equity exposures	–	–	–	–	2	2
Other items	–	23	–	–	1	24
Total - standardised approach	763	9,321	3,940	2,107	3	16,134

31.12.16 *GBP million*	Callable and on demand	Due in 1 year or less	Due between 1 year and 5 years	Due over 5 years	No stated maturity	Total
Central governments and central banks						
Regional governments and local authorities	–	58	35	27	–	120
Public sector entities	–	–	–	40	–	40
Multilateral development banks	47	339	435	–	–	821
International organisations	–	13	93	–	–	107
Institutions	392	3,605	1,341	1,519	–	6,857
Corporates	198	2,073	1,824	635	–	4,730
Exposures in default	–	–	–	–	–	–
Items of high risk	–	–	–	–	–	–
Securitisation positions	–	1	4	–	–	4
Equity exposures	–	–	–	–	2	2
Other items	–	94	–	–	1	95
Total	640	8,192	4,437	2,368	3	15,640

[1] Exposure is taken after the application CCFs and CRM and the addition of volatility adjustments to exposures

The split of exposures by industry type is consistent between 2017 and 2016. A description of the driver for the movements of exposures can be found in the commentary for table EU CRB-C.

EU CR5 – Standardised approach

The following table provides a view of the breakdown of credit exposures by risk weight and asset class under the standardized approach.

EU CR5 - Standardised approach [1]

31.12.17

GBP million	0%	2%	20%	50%	100%	150%	1250%	Others	Total	Of which unrated
Central governments and central banks	2,243	–	–	–	–	–	–	–	2,243	644
Regional governments and local authorities	–	–	45	53	–	–	–	–	99	50
Public sector entities	–	–	104	34	32	–	–	–	170	51
Multilatreal development banks	277	–	–	–	–	–	–	–	277	–
International organisations	301	–	–	–	–	–	–	–	301	3
Institutions	–	2,709	2,931	2,856	159	2	3	–	8,660	2,629
Corporates	–	–	513	482	3,302	39	–	–	4,337	2,739
Exposures in default	–	–	–	–	–	9	–	–	9	9
Items of high risk	–	–	–	–	–	12	–	–	12	12
Securitisations	–	–	–	–	–	–	–	–	–	24
Equity Exposures	–	–	–	–	2	–	–	–	2	2
Other Items	–	–	–	–	24	–	–	–	24	24
Grand Total	2,821	2,709	3,593	3,426	3,520	61	3	–	16,134	6,188

31.12.16

GBP million	0%	2%	20%	50%	100%	150%	1250%	Others	Total	Of which unrated
Central governments and central banks	2,862	–	–	2	–	–	–	–	2,864	836
Regional governments and local authorities	–	–	58	62	–	–	–	–	120	58
Public sector entities	–	–	5	–	34	–	–	–	40	34
Multilatreal development banks	821	–	–	–	–	–	–	–	821	–
International organisations	107	–	–	–	–	–	–	–	107	–
Institutions	–	961	3,371	2,172	325	1	28	–	6,857	3,349
Corporates	–	–	683	583	3,445	10	9	–	4,730	2,948
Exposures in default	–	–	–	–	–	–	–	–	–	–
Items of high risk	–	–	–	–	–	–	–	–	–	–
Securitisations	–	–	–	–	–	–	1	3	4	4
Equity Exposures	–	–	–	–	2	–	–	–	2	2
Other Items	–	–	–	–	95	–	–	–	95	95
Grand Total	3,790	961	4,118	2,819	3,900	11	38	3	15,640	7,326

[1] Exposure is taken after the application of CCFs and CRM and the addition of volatility adjustments to exposures

An explanation for the rating migration between 20% and 2% on institutions exposure can be found in the commentary for table EU CCR3
A description of the driver for the movements of exposures can be found in the commentary for table EU CRB-C.

EBA Disclosures on credit adjustments, write offs & impairment

The EBA specifies a number of templates around credit and specific risk adjustments, write offs & impairments but due to the nature of the business conducted in UBS Limited these are not deemed to be material for the Company, in accordance with its Pillar 3 policy, and are excluded from these Pillar 3 disclosures.

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 Global Ratings, Moody's Investors Service and Fitch Ratings.

The mapping of external ratings to the standardised approach risk weights is determined by the EBA. 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

EU CR3 – Credit risk mitigation techniques - Overview

The following table outlines the extent of usage of CRM techniques. It shows the carrying values of all collateral, financial guarantees and credit derivatives used as CRM mitigants.

EU CR3 - CRM techniques overview

31.12.17 *GBP million*	Exposures unsecured - carrying amounts	Exposures secured - carrying amounts	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Exposure carrying values under credit risk mitigation					
Total loans	756	831	831	0	0
Total debt securities	2,615	–	–	–	–
Total exposures	3,371	831	831	–	–
of which defaulted	–	–	–	–	–

EU CR4 – Standardised approach – credit risk exposure and CRM techniques

The following table outlines the effects of CRM excluding derivative, long settlement transactions, repurchase, margin lending and SFT transactions and outlines exposures pre and post CRM and Credit Conversion Factors (CCF).

EU CR4 - Standardised approach - Credit risk exposure and CRM effects

	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
GBP million	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWA density
Exposure class						
Central governments and central banks	1,878	–	1,878	–	–	0%
Regional governments and local authorities	37	–	37	–	7	20%
Public sector entities	98	–	98	–	20	20%
Multilateral development banks	268	–	268	–	–	0%
International organisations	298	–	298	–	–	0%
Institutions	1,449	4	619	–	230	37%
Corporates	146	1,446	146	705	796	94%
Items associated with particularly high risk	–	25	–	12	19	150%
Equity	2	–	2	–	2	100%
Other items	24	–	24	–	24	100%
Total	4,201	1,475	3,371	717	1,098	27%

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

GBP million	31.12.17	31.12.16
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
Of which to be risk weighted:	–	–
Publically traded	–	–
Privately held (dealer quoted)	2	2
Of which : deducted from equity	–	–
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.

Liquidity

Liquidity coverage ratio

Following the EBA guidelines EBA/GL/2017/01 UBS Limited is publishing its Liquidity Coverage Ratio (LCR) for the first time. The UBS Limited approach to the measurement & management of liquidity risks is outlined in note 33 to the UBS Limited financial accounts. This together with the declaration by management of the adequacy of the control environment meets the qualitative requirements of liquidity risk under the above EBA guidelines.

The following table shows the components of the LCR as an average of the last four quarters.

Liquidity Coverage Ratio

Solo	Total unweighted value (average)				Total weighted value (average)			
GBP million								
Quarter Ended on:	31/03/2017	30/06/2017	30/09/2017	30/12/2017	31/03/2017	30/06/2017	30/09/2017	30/12/2017
Number of data points used in calculation of average	12	12	12	12	12	12	12	12
High Quality Liquid Assets:								
Total high quality liquid assets (HQLA)					5,472	5,432	5,755	5,758
Retail deposits and deposits from small business customers of which:	-	-	-	-	-	-	-	-
Stable deposits	-	-	-	-	-	-	-	-
Less stable deposits	-	-	-	-	-	-	-	-
Unsecured wholesale funding	1,904	1,764	1,686	1,714	1,789	1,655	1,578	1,608
Operational deposits (all counterparts) and deposits in network of cooperative banks	-	-	-	-	-	-	-	-
Non-operational deposits (all counterparts)	1,904	1,764	1,686	1,714	1,789	1,655	1,578	1,608
Unsecured debt	-	-	-	-	-	-	-	-
Secured wholesale funding					997	1,111	1,162	1,173
Additional requirements	3,326	3,385	3,501	3,549	1,567	1,567	1,663	1,753
Outflows related to derivative exposures and other collateral requirements	1,364	1,474	1,745	1,945	1,167	1,168	1,301	1,434
Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
Credit and liquidity facilities	1,961	1,912	1,756	1,604	399	400	362	319
Other contractual funding obligations	6,142	6,590	6,947	6,970	449	437	395	293
Other contingent funding obligations	39	41	40	29	-	-	-	-
Total Cash Outflows					4,802	4,769	4,798	4,827
Secured lending (e.g. reverse repos)	14,395	15,237	16,209	17,125	1,757	1,869	2,054	2,207
Inflows from fully performing exposures	1,124	1,134	1,122	1,130	1,085	1,093	1,082	1,093
Other cash inflows	907	645	496	425	907	645	496	425
Difference between total weighted in and outflows from third countries where there are transfer restrictions or non-convertible currencies					-	-	-	-
Excess inflows from a related specialised credit institution					-	-	-	-
Total Cash Inflows	16,426	17,016	17,827	18,680	3,749	3,607	3,632	3,726
Fully exempt inflows	-	-	-	-	-	-	-	-
Inflows subject to 90% cap	-	-	-	-	-	-	-	-
Inflows subject to 75% cap	*13,196*	*14,218*	*15,317*	*16,403*	*3,749*	*3,607*	*3,632*	*3,726*

Liquidity Coverage Ratio

Solo					
GBP million					
Quarter Ended on:		31/03/2017	30/06/2017	30/09/2017	30/12/2017
21	Liquidity Buffer	5,472	5,432	5,755	5,758
22	Total net cash outflows	1,295	1,358	1,358	1,317
23	Liquidity coverage ratio(%)	439%	425%	450%	454%

The above tables show the UBS Limited's LCR for 2017. Over 2017 the average LCR ratio was well above the Pillar 1 regulatory minimum requirement of 90% with the twelve month rolling average ranging from 425% to 454%. These ratios do not take into account Pillar 2 requirements. The LCR regulatory minimum increased to 100% in January 2018.

The Historic Look Back Approach (HLBA) was introduced into the UK LCR Pillar 1 calculation from March 2017 onwards. HLBA requires UBS Limited to account for the largest 30 day gross collateral outflows due to market movements over a 2 year period as an additional cash outflow. Previously UBS Limited's LCR requirement to contingent derivative outflows resulting from market movements were part of the Pillar 2 requirements. This change resulted in the LCR table under Line item 'Outflows related to derivative exposures and other collateral requirements

Asset encumbrance

Asset Encumbrance disclosures

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

Encumbered and unencumbered assets

31.12.2017	Carrying Amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
GBP Million		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
Assets of reporting institution	10,363	–	–	–	27,124	–	–	–
Equity Instruments	–	–	–	–	2,656	–	–	–
Debt securities	1,191	1,093	1,191	1,025	4,289	1,255	4,289	4,842
of which: covered bonds	*3*	–	*3*	–	*201*	–	*201*	–
of which: asset-backed securities	–	–	–	–	*11*	–	*11*	–
of which: issued by general governments	*1,093*	*1,093*	*1,093*	–	*1,710*	*1,240*	*1,710*	–
of which: issued by financial corporations	*28*	–	*28*	–	*1,456*	*16*	*1,456*	–
of which: issued by non-financial corporations	*27*	–	*27*	–	*877*	–	*877*	–
Other assets	4,226	389	–	–	14,416	35	–	–

Collateral received

31.12.2017			Unencumbered	
	Fair value of encumbered collateral received or own debt issued		Fair value of collateral received or own debt securities issued available for encumbrance	
GBP Million		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
Collateral received by the reporting institution	22,713	–	7,444	–
Loans on demand	–	–	–	–
Equity instruments	3,750	66	3,021	29
Debt securities	18,714	14,234	4,257	3,943
of which: covered bonds	*573*	–	–	–
of which: asset-backed securities	*337*	–	*123*	–
of which: issued by general governments	*14,916*	*15,055*	*3,905*	*3,905*
of which: issued by financial corporations	*1,278*	–	*196*	–
of which: issued by non-financial corporations	*1,228*	*2*	*104*	*1*
Loans and advances other than loans on demand	–	–	–	–
Other collateral received	–	–	–	–
Own debt securitiesissued other than own covered bonds or asset-backed securities	–	–	–	–
Own covered bonds and asset-backed securities issued and not yet pledged	–	–	–	–
Total Assets, collateral received and own debt securities issued	33,076	–	–	–

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 GBP million	2017	2016	2017	2016
Carrying amount of selected financial liabilities	24,815	32,507	25,573	20,996

In accordance with CRR Article 443 and the supporting technical standards the tables above show the median value over 2017 of each amount disclosed.

UBS Limited holds a median GBP 27bn of unencumbered assets compared with a median GBP 10bn of encumbered assets. The largest portion of the unencumbered assets is positive replacement values (PRV) incorporated in the other assets row. A significant portion of the median GBP 4bn of unencumbered debt securities is the liquidity portfolio maintained in the entity to protect against adverse liquidity shocks. The main drivers of encumbered assets are securities financing activity and margins pledged against derivatives. There are no covered bond issuances or securitization programs within UBS Limited. Asset encumbrance is one consideration in the funding and liquidity structure for UBS Limited. The Company relies on diverse sources of funding including its capital, interbank borrowing (principally from its parent) and secured financing. The company's trading inventory is of high quality and high liquidity and is largely funded through the securities financing markets. This secured financing creates an encumbrance on the assets held. These transactions are generally short-term and low volatility.

In addition to encumbrance of assets on the balance sheet, securities accepted as collateral, are re-hypothecated. In 2017 UBS Limited held a median total of GBP30bn of collateral received of which a median of GBP 23bn was encumbered. A majority of this relates to reverse repurchase and collateral swap agreements that are in turn financed via repurchase and collateral swap agreements. The remainder primarily relates to securities used to settle trading portfolio liabilities, securities lending activity as well as collateral pledged to OTC counterparties and exchange traded derivative client margins.

The median total value of encumbered assets and collateral has remained materially stable since the last disclosure period.

The management of the Company’s liquidity is the responsibility of the Group Treasury function within UBS Limited. In its monthly meeting the Asset and Liability Committee reviews a summary of the unencumbered and encumbered collateral. Further details including contingency funding are provided in note 33 of the statutory accounts.

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

GBP million	31.12.17	31.12.16
On-balance sheet items (excluding derivatives,securities financing transactions but including collateral)	13,659	15,655
Asset amounts deducted in determining Tier 1 capital	(18)	(47)
Total on-balance sheet exposures	13,640	15,608
Replacement cost of derivative transactions	1,610	2,308
Add-on amounts for potential future exposure of derivative transactions	19,783	19,798
Receivable assets for cash variable margin for derivative transactions	(1,833)	(2,195)
Exempted CCP transactions	(7,188)	(7,719)
Adjusted notional of written credit derivatives	2,821	3,965
Adjusted effective notional offsets & add-on deductions for written credit derivatives	(2,787)	(3,738)
Total derivative exposures	12,405	12,419
Gross securities financing transaction assets	17,283	11,170
Netted amounts of cash payables and receivables of gross securities financing transaction assets	(8,551)	(5,560)
Counterparty credit risk exposure for securities financing transaction assets	912	1,179
Total securities financing transaction exposures	9,645	6,789
Off-balance sheet exposures at gross notional amounts	1,475	2,085
Adjustments for conversion to credit equivalent amounts	(756)	(1,108)
Total other off-balance sheet assets	720	977
Total leverage ratio exposure	36,409	35,793
Tier 1 Capital	2,764	2,755
Leverage Ratio	7.59%	7.70%

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

Reconciliation of accounting assets and leverage ratio exposures

GBP million	31.12.17	31.12.16
Total assets as per published financial statements	35,569	40,663
Adjustments for derivative instruments	(325)	(6,912)
Adjustments for securities financing transactions (SFTs)	453	1,112
Adjustments for off-balance sheet items	720	977
Other adjustments	(7)	(47)
Total	36,409	35,793

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

Split of balance sheet exposures

GBP million	31.12.17	31.12.16
Total on-balance sheet exposures (excluding derivatives, SFTs, exempted exposures)		
Trading book exposures	7,439	8,408
Banking book exposures	4,395	5,248
of which:		
Sovereigns	*2,445*	*3,456*
Local and regional government, public sectorand supranationals not treated as sovereigns	*135*	
Other exposures	*1,464*	*1,218*
Other exposures	28	50

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. The leverage ratio, own funds and leverage ratio denominator are reported to the ALCO and Board on a regular basis. Material movements in own funds or leverage ratio denominator are investigated and analysed.

The Company's recovery plan contains triggers that form tests that are included in daily capital reporting, forecasts and stress tests. These assist the ALCO and Board to assess whether actions or mitigation plans should be put in place to address those identified risks.

Remuneration

Remuneration policy, compensation structure and remuneration of UK regulated Material Risk Takers (MRTs)

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 2017, which can be accessed via the link below.

→ **Compensation report**

In addition to the UBS Board of Directors Compensation Committee, UBS Limited has a Remuneration Committee which is comprised of 3 independent Non-Executive Directors and which met 7 times during the financial year 2017.

In accordance with Article 94(1)(g) of Directive 2013/36/EU MRTs at UBS are subject to a maximum ratio between the variable and fixed remuneration of 200%. Details of our shareholder vote and approval can be found at UBS.com/agm. For the purpose of calculating the ratio between fixed and variable pay UBS has applied a discount rate to the 2017 Deferred Capital Contingent Plan (DCCP) awards made to 447 UK MRTs, the discount was applied to a maximum of 25% of variable remuneration and in line with the EBA Guidelines on the applicable discount rate for variable remuneration (EBA/GL/2014/01). Further details around the remuneration of MRTs can be found in the UBS AG Annual Report 2017.

The following tables show details of the awards made to UK material risk takers (MRTs) at UBS, in respect of the 2017 financial year. All data is as at 31 December 2017 and figures are shown in GBP 000s, unless otherwise indicated. These disclosures are made covering all staff identified as UK regulated MRTs under the EU regulatory technical standards. This includes MRTs identified in respect of UBS AG London Branch, UBS Limited and UBS Limited branches. Awards made to UK MRTs in the UBS Asset Management business are reported in the consolidated group Pillar 3 report of UBS Asset Management Holding (No.2) Ltd and Subsidiary Undertakings.

The disclosures reported hereunder are made in accordance with Article 450 of the Capital Requirements Regulation (CRR) and Articles 308 to 311 of the EBA guidelines on Sound Remuneration Policies (EBA/GL/2015/22)

Number of beneficiaries and remuneration detail by business area

	Number of Beneficiaries	Total Remuneration (GBP '000)	Fixed Remuneration (GBP '000)	Variable Remuneration (GBP '000)
Management Body	8	16,787	7,149	9,638
Management Function	4	15,987	6,349	9,638
Supervisory Function	4	800	800	0
Senior Managers [1]	27	67,913	30,771	37,142
Corporate Centre	14	17,098	7,733	9,365
Investment Bank	10	45,095	20,068	25,027
Wealth Management	3	5,720	2,970	2,750
Other MRTs	550	459,714	231,605	228,109
Corporate Center	84	39,997	20,561	19,436
Investment Bank	419	395,621	199,064	196,557
Wealth Management	47	24,096	11,980	12,116
Total	585	544,414	269,525	274,889

[1] "Senior Managers' is categorised as UK MRTs at Group Managing Director rank and above and all UK Senior Management Function holders (SMFs). Fixed remuneration includes role based allowance

Variable remuneration awarded by compensation element

	Number of Beneficiaries	Immediate Cash (GBP '000)	Immediate Shares (GBP '000)	Other Deferred Instruments (GBP '000)	Deferred Shares (GBP '000)
Management Body	4	1,324	1,324	2,675	4,315
Management `function	4	1,324	1,324	2,675	4,315
Supervisory Function	0	0	0	0	0
Senior Managers	25	6,262	6,197	9,873	14,810
Corporate Center	13	1,830	1,765	2,308	3,462
Investment Bank	9	3,959	3,959	6,843	10,265
Wealth Management	3	473	473	722	1,083
Other MRTs	476	44,134	41,248	57,091	85,637
Corporate Center	76	5,554	4,281	3,841	5,761
Investment Bank	359	35,531	34,083	50,777	76,166
Wealth Management	41	3,049	2,884	2,473	3,710
Total	505	51,720	48,769	69,639	104,762

Note: Other Deferred Instruments refers to UBS Deferred Capital Contingent Plan, details of which can be found in the UBS Compensation Report

Summary of outstanding deferred remuneration, by vested and unvested portions, and vehicle type

	Deferred remuneration - granted during the financial year (GBP '000)	Deferred remuneration - distributed during the financial year (GBP '000)	Outstanding deferred remuneration at year end (GBP '000)
Management Body	7,803	5,784	36,582
Management Function	7,803	5,784	36,582
Supervisory Function	0	0	0
Senior Managers	33,755	26,081	138,358
Corporate Center	6,470	4,346	25,199
Investment Bank	25,036	18,994	101,226
Wealth Management	2,250	2,742	11,933
Other MRTs	174,430	94,178	576,272
Corporate Center	11,957	5,790	36,295
Investment Bank	155,519	82,949	507,847
Wealth Management	6,954	5,439	32,129
Total	215,988	126,043	751,212

Notes:
- For granted remuneration, price as at grant dat. For distribution, price as at distribution date.Outstanding remuneration based upon price at year-end.
- As of year-end 2017, no deferred remuneration was reduced through performance adjustment, this does not include forfeitures upon termination
- All outstanding awards are exposed to ex post explicit and/or implicit adjustments

In accordance with Article 450(1)(i) of the CRR the following table provides a summary of the MRT population (182 MRTs) receiving total remuneration in excess of EUR 1,000,000

EUR	Number of beneficiaries
Remuneration Band	
1,000,000 - 1,500,000	70
1,500,001 - 2,000,000	43
2,000,001 - 2,500,000	18
2,500,001 - 3,000,000	12
3,000,001 - 3,500,000	14
3,500,001 - 4,000,000	6
4,000,001 - 4,500,000	4
4,500,001 - 5,000,000	5
5,000,001 - 6,000,000	7
6,000,001 and above	3

Summary of guaranteed incentives awarded to new hires

	Number of Beneficiaries	Amount (GBP '000)
Management Body	–	–
Senior Managers	–	–
Other MRTs	1	535
Investment Bank	1	535
Total	1	535

Note: There were no 'sign on' awards granted in 2017

Summary of severance payments made

	Number of Beneficiaries	Amount (GBP '000)
Management Body	–	–
Senior Managers	1	93
Corporate Center	1	93
Other MRTs	15	2,628
Corporate Center	1	53
Investment Bank	11	1,430
Wealth Management	3	1,146
Total	16	2,721

Note: Highest individual severance award was GBP 804,000. No deferred payments in relation to severance payments made in 2017

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