



Pillar 3

UBS Limited – 30 June 2018 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 30 June 2018.

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 document 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. These disclosures have been prepared in accordance with the EBA guidelines on Pillar 3.

UBS Limited is part of the UBS Group AG consolidated group and a direct, wholly owned subsidiary of UBS AG.

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.

Recent developments

Repayment of subordinated debt

On the 14 September 2018 having received regulatory approval, UBS Limited reduced its regulatory capital through a repayment (USD 292m and EUR 244m) of subordinated tier 2 debt. The tables in this document do not reflect this.

UK withdrawal from the EU

Although negotiations between the UK and the EU over the transition continue, we expect that the UK will leave the EU in March 2019, and that any transition arrangements will be agreed to only relatively close to the exit date. Given the continuing uncertainty on transition arrangements and the potential future restrictions on providing financial services into the EU from the UK, we have commenced the process of seeking regulatory approvals for the merger of UBS Limited, our UK-headquartered subsidiary, into UBS Europe SE, our German-headquartered European bank. We expect to complete the merger prior to the UK leaving the EU. Following completion of the merger, we expect that UBS Europe SE will become subject to direct supervision by the European Central Bank.

As reported in our Annual Report 2017, certain clients and other counterparties of UBS Limited would become clients or counterparties of UBS Europe SE through the planned merger of the two entities. During the fourth quarter of 2018, we expect to commence a business transfer proceeding in the UK to facilitate the transfer of client business in connection with the merger. We also expect to commence German merger proceedings in the same timeframe.

We anticipate that clients of UBS Limited who can be serviced by UBS AG, London Branch would generally be migrated to UBS AG, London Branch prior to this merger. In connection with the merger of UBS Limited into UBS Europe SE, some staff will be relocated, although the number of staff and roles have not yet been finally determined. The timing and extent of the actions we take may vary considerably from our current plan depending on regulatory requirements and the nature of any transition or successor agreements between the UK and the EU.

Key ratios

Key ratios

The following is a summary of the key ratios of UBS Limited.

Key ratios

<i>GBP million</i>	30.06.2018	31.03.2018	31.12.2017
Total Credit Exposure	17,897	16,720	16,134
Total RWA	11,593	10,778	10,473
<i>Of which credit risk (including CVA Risk)</i>	<i>8,094</i>	<i>7,376</i>	<i>7,249</i>
<i>Of which market risk</i>	<i>2,071</i>	<i>1,973</i>	<i>1,876</i>
<i>Of which operational risk</i>	<i>1,428</i>	<i>1,428</i>	<i>1,349</i>
Capital ratio - CET1	21.77%	23.39%	24.15%
Capital ratio - Tier 1	23.80%	25.57%	26.39%
Capital ratio - Total Capital	29.73%	31.80%	32.93%
Leverage ratio	7.62%	7.66%	7.59%
Liquidity Coverage ratio	473%	473%	454%

The minimum regulatory total capital ratio was 12.17% as at 30.06.2018.

Own funds

Reconciliation of balance sheet total equity to regulatory capital

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

Reconciliation of balance sheet total equity to regulatory capital

<i>GBP million</i>	30.06.2018	31.12.2017
Balance sheet total equity¹	2,826	2,808
Add:		
Tier 2 instruments classified as other liabilities	688	685
Less:		
Current year unaudited earnings	(26)	–
Prudential Filters	(29)	(31)
Deferred tax assets	(7)	(7)
Own credit gains	(5)	(6)
Total Own Funds	3,447	3,449

¹ 31.12.2017 is taken from the 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	14.05.2019 up to maturity
Coupons / dividends			
Fixed or floating dividend/coupon	Floating	Floating	Floating
Coupon rate and any related index	N/A	3m LIBOR plus 5.02 percent	a. 3m LIBOR plus 2.71 percent b. 3m EURIBOR plus 2.65 percent
Existence of a dividend stopper	No	No	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Mandatory
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary	Mandatory
Existence of step up or other incentive to redeem	No	No	No
Noncumulative or cumulative	Non cumulative	Non cumulative	Non cumulative
Convertible or non-convertible	Non convertible	Non convertible	Non convertible
If convertible, conversion trigger(s)	N/A	N/A	N/A
If convertible, fully or partially	N/A	N/A	N/A
If convertible, conversion rate	N/A	N/A	N/A
If convertible, mandatory or optional conversion	N/A	N/A	N/A
If convertible, specify instrument type convertible into	N/A	N/A	N/A
If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
Write-down features	No	Yes	Yes
If write-down, write-down trigger(s)	N/A	CET1 ratio falls below 7.0%	Point of non viability – PRA statutory approach
If write-down, full or partial	N/A	Full	PRA discretion under banking Act (2009)
If write-down, permanent or temporary	N/A	Permanent	PRA discretion under banking Act (2009)
If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	AT1	Tier 2	General Creditors
Non-compliant transitioned features	No	No	No
If yes, specify non-compliant features	N/A	N/A	N/A

Note: No changes from the previous disclosure as at 31.12.2017

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

Nature and amounts of capital deductions from own funds

<i>GBP million</i>	30.06.2018	31.12.2017
<i>Common Equity Tier 1 capital instruments and the related share premium accounts</i>		
of which:		
<i>Instrument type 1</i>	2,411	2,411
<i>Retained earnings</i>	156	161
<i>Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)</i>	–	2
Common Equity Tier 1 (CET1) capital before regulatory adjustments	2,566	2,573
Prudential valuation adjustments	(29)	(31)
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)	(7)
Gains or losses on balance sheet amounts valued at fair value resulting from changes in own credit standing	(5)	(6)
Total Common Equity Tier 1 capital	2,524	2,529
<i>Additional Tier 1 capital instruments and the related share premium accounts</i>		
of which:		
<i>classified as equity under applicable accounting standards</i>	235	235
Total Additional Tier 1 capital	235	235
Total Tier 1 capital	2,759	2,764
Tier 2 capital instruments and the related share premium accounts	688	685
Total Tier 2 capital	688	685
Total Own Funds	3,447	3,449

Capital requirements

Pillar 1 capital requirements

For Pillar 1, regulatory capital exposures are calculated using supervisory standardised approaches except for:

Credit risk determined by internal credit model

- 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.
- Exposure arising from securities financing 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.

Market risk

- Exposures relating to interest rate swaps are calculated using sensitivity models permitted by the PRA.

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.

EU - OV1 - Overview of RWAs

	30.06.2018		31.03.2018		31.12.2017	
	RWA	Capital Requirements	RWA	Capital Requirements	RWA	Capital Requirements
<i>GBP million</i>						
Credit Risk (excluding CCR)	1,880	150	1,167	93	1,098	88
<i>of which the standardised approach</i>	<i>1,880</i>	<i>150</i>	<i>1,167</i>	<i>93</i>	<i>1,098</i>	<i>88</i>
<i>of which the foundation IRB (FIRB) approach</i>	–	–	–	–	–	–
<i>of which the advanced IRB (AIRB) approach</i>	–	–	–	–	–	–
<i>of which the equity IRB under the simple risk weighted approach or the IMA</i>	–	–	–	–	–	–
CCR	6,142	491	6,142	491	6,113	489
<i>of which mark to market and financial collateral comprehensive method ¹</i>	<i>2,583</i>	<i>207</i>	<i>2,861</i>	<i>229</i>	<i>2,887</i>	<i>231</i>
<i>of which original exposure</i>	–	–	–	–	–	–
<i>of which the standardised approach</i>	–	–	–	–	–	–
<i>of which the internal model method (IMM) and internal model approach (IMA) ²</i>	<i>2,719</i>	<i>218</i>	<i>2,408</i>	<i>193</i>	<i>2,152</i>	<i>172</i>
<i>of which risk exposure amount for contributions to the default fund of a CCP</i>	<i>111</i>	<i>9</i>	<i>179</i>	<i>14</i>	<i>209</i>	<i>17</i>
<i>of which CVA</i>	<i>729</i>	<i>58</i>	<i>694</i>	<i>56</i>	<i>865</i>	<i>69</i>
Settlement risk	73	6	67	5	37	3
Securitisation exposures in the banking book (after the cap)	–	–	–	–	–	–
<i>of which IRB approach</i>	–	–	–	–	–	–
<i>of which IRB supervisory formula approach (SFA)</i>	–	–	–	–	–	–
<i>of which internal assessment approach (IAA)</i>	–	–	–	–	–	–
<i>of which standardised approach</i>	–	–	–	–	–	–
Market risk	2,071	166	1,973	158	1,876	150
<i>of which IMA</i>	–	–	–	–	–	–
Large exposures	–	–	–	–	–	–
Operational risk	1,428	114	1,428	114	1,349	108
<i>of which BIA approach</i>	<i>1,428</i>	<i>114</i>	<i>1,428</i>	<i>114</i>	<i>1,349</i>	<i>108</i>
<i>of which standardised approach</i>	–	–	–	–	–	–
<i>of which advanced measurement approach</i>	–	–	–	–	–	–
Amounts above the threshold for deduction (subject to 250% risk weight)	–	–	–	–	–	–
Floor adjustment	–	–	–	–	–	–
Total	11,593	928	10,778	862	10,473	838

¹ Where not eligible for inclusion in a modelled approach, the mark to market method is used for over the counter (OTC) and exchange traded derivatives (ETD), and the financial collateral comprehensive method is used for securities financing transactions (SFT)

² Includes exposures to OTC derivatives under the IMM and exposures to SFTs under a Repo VaR model

Over the period there was no particular driver for the increase in total RWA. There have been some transient increases in exposures relating to nostros and free of payment fails. Furthermore, the nature of CCR can be volatile due to daily settlement and revaluation effects and so movements seen are within normal levels.

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

<i>GBP million</i>	30.06.2018		31.12.2017	
	RWAs	Capital requirements	RWAs	Capital requirements
Outright products				
Interest rate risk (general and specific)	1,271	102	1,243	99
Equity Risk (general and specific)	451	36	315	25
Foreign exchange risk	341	27	303	24
Commodity risk	–	–	–	–
Options				
Simplified approach	–	–	–	–
Delta-plus method	8	1	15	1
Scenario approach	–	–	–	–
Total	2,071	166	1,876	150

Exposure to counterparty credit risk

EU CCR1 – Analysis of CCR exposure by approach

The following tables provide 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

30.06.2018	Notional	Replacement cost/current MV	PFCE	EEPE	Multiplier	EAD post CRM	RWA
<i>GBP million</i>							
Mark to market		611	9,402			5,654	1,723
Original Exposure	–					–	–
Standardised approach		–			–	–	–
IMM (for derivatives and SFTs)				3,885	1.8	3,685	2,102
<i>of which SFTs</i>				–	–	–	–
<i>of which derivatives and long settlement transactions</i>				3,885	1.8	3,685	2,102
<i>of which from contractual cross product netting</i>				–	–	–	–
Financial collateral simple method (for SFTs)						–	–
Financial collateral comprehensive method (for SFTs)						1,805	860
VaR for SFTs						1,488	617
Total							5,302

31.12.2017	Notional	Replacement cost/current MV	PFCE	EEPE	Multiplier	EAD post CRM	RWA
<i>GBP million</i>							
Mark to market		836	9,762			5,963	2,112
Original Exposure	–					–	–
Standardised approach		–			–	–	–
IMM (for derivatives and SFTs)				3,448	1.6	3,298	1,741
<i>of which SFTs</i>				–	–	–	–
<i>of which derivatives and long settlement transactions</i>				3,448	1.6	3,298	1,741
<i>of which from contractual cross product netting</i>				–	–	–	–
Financial collateral simple method (for SFTs)						–	–
Financial collateral comprehensive method (for SFTs)						1,608	775
VaR for SFTs						1,178	411
Total							5,039

During the period the OTC IMM multiplier increased from 1.6 to 1.8, as required by the PRA.

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

	30.06.2018		31.12.2017	
<i>GBP million</i>	Exposure value	RWA	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	1,935	729	2,027	865
Based on the original exposure method	–	–	–	–
Total subject to the CVA charge	1,935	729	2,027	865

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

The following tables provide a breakdown of CCR exposures by type of portfolio and risk weight.

EU CCR3 - Standardised approach - CCR exposures by regulatory portfolio and risk¹

30.06.2018	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	543	-	-	-	-	-	-	-	-	-	-	-	-	543	110
Regional governments and local authorities	-	-	-	-	6	60	-	-	-	-	-	-	-	66	15
Public sector entities	-	-	-	-	6	38	-	-	36	-	-	-	-	80	56
Multilateral development banks	6	-	-	-	-	-	-	-	-	-	-	-	-	6	-
International Organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	2,680	-	-	2,681	2,725	-	-	119	69	-	-	-	8,274	2,232
Corporates	-	-	-	-	606	292	-	-	2,750	15	-	-	-	3,662	2,689
Exposures in default	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Securitisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	550	2,680	-	-	3,299	3,115	-	-	2,905	84	-	-	-	12,632	5,102

31.12.2017	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

¹ Exposure is stated after the application of CCFs and CRM and the addition of volatility adjustments to exposures

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

The following tables outline 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

30.06.2018	Gross positive fair value ¹	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
<i>GBP million</i>					
Derivatives	27,152	11,159	15,993	6,906	9,087
SFTs	20,837	16,863	3,974	681	3,293
Total	47,989	28,022	19,967	7,587	12,380

31.12.2017	Gross positive fair value	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
<i>GBP million</i>					
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 tables provide 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

30.06.2018	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of collateral posted		Fair value of collateral received	Fair value of collateral posted
	Segregated	Unsegregated	Segregated	Unsegregated		
<i>GBP million</i>						
Cash	9,028	3,693	4,621	3,765	5,389	8,213
Sovereign debt	3,293	1,108	3,293	234	18,742	17,437
Other debt securities	574	–	574	–	3,125	2,227
Equity securities	4	–	4	–	4,949	2,376
Total	12,899	4,801	8,492	3,999	32,205	30,253

31.12.2017	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of collateral posted		Fair value of collateral received	Fair value of collateral posted
	Segregated	Unsegregated	Segregated	Unsegregated		
<i>GBP million</i>						
Cash	8,765	3,762	4,618	3,755	4,568	9,174
Sovereign debt	3,392	767	3,392	333	15,946	13,403
Other debt securities	424	–	424	–	3,146	2,579
Equity securities	5	–	5	–	5,982	2,505
Total	12,586	4,529	8,439	4,088	29,642	27,661

The 31.12.2017 comparative numbers have been amended to reflect revised interpretation and reclassification.

EU CCR6 - Credit derivatives exposures

The following tables provide 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

30.06.2018	Protection bought	Protection sold	Other
<i>GBP million</i>			
Notionals			
Single name credit default swaps	1,423	735	–
Multi name credit default swaps	3,003	2,998	–
Total Notionals	4,426	3,733	–
Fair values			
Positive fair value (asset)	43	53	–
Negative fair value (liability)	53	53	–
<hr/>			
31.12.2017	Protection bought	Protection sold	Other
<i>GBP million</i>			
Notionals			
Single name credit default swaps	1,869	1,044	–
Multi name credit default swaps	2,967	2,935	–
Total Notionals	4,836	3,979	–
Fair values			
Positive fair value (asset)	91	92	–
Negative fair value (liability)	120	23	–

This quarter the multi name credit default swap notionals in the tables above include agency business (30.06.2018: GBP 1,916m, 31.12.2017: GBP 1,155m).

EU CCR7 – RWA flow statement of CCR exposures under the IMM

The following tables provide a view of the drivers behind the change in the RWA relating to OTC derivatives under the IMM over the period.

EU CCR7 - RWA flow statements of CCR exposures under the IMM

As at 30.06.2018	RWA Amounts	Capital Requirements
<i>GBP Million</i>		
RWAs as at the end of the previous reporting period (31.03.2018)	2,001	160
Asset size	(147)	(12)
Credit quality of counterparties	(2)	–
Model updates (IMM only)	–	–
Methodology and policy (IMM only)	234	19
Acquisitions and disposals	–	–
Foreign exchange movements	17	1
Other	–	–
RWAs as at the end of the current reporting period (30.06.2018)	2,102	168

As at 31.03.2018	RWA Amounts	Capital Requirements
<i>GBP Million</i>		
RWAs as at the end of the previous reporting period (31.12.2017)	1,741	139
Asset size	291	23
Credit quality of counterparties	(17)	(1)
Model updates (IMM only)	–	–
Methodology and policy (IMM only)	–	–
Acquisitions and disposals	–	–
Foreign exchange movements	(14)	(1)
Other	–	–
RWAs as at the end of the current reporting period (31.03.2018)	2,001	160

The amount disclosed in the methodology and policy line reflects the change in the OTC IMM multiplier as noted in EU CCR1.

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

<i>GBP million</i>	30.06.2018		31.12.2017	
	Exposure value	RWA	Exposure value	RWA
Exposures to QCCPs (total)¹		523		553
Exposures for trades at QCCPs; of which	4,471	412	4,158	344
(i) OTC derivatives	1,095	58	1,118	46
(ii) Exchange-traded derivatives	2,234	155	2,037	126
(iii) SFTs	1,142	199	1,003	173
(iv) Netting sets where cross-product netting has been approved	–	–	–	–
Segregated initial margin	–	–	–	–
Non-segregated initial margin	–	–	–	–
Prefunded default fund contributions	309	111	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

Credit exposure and credit risk adjustments

EU CR5 – Standardised approach

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

EU CR5 - Standardised approach ¹

30.06.2018

<i>GBP million</i>	0%	2%	20%	50%	100%	150%	1250%	Others	Total	Of which unrated
Central governments and central banks	3,161	–	–	–	–	–	–	–	3,161	978
Regional governments and local authorities	–	–	81	60	–	–	–	–	142	90
Public sector entities	–	–	57	38	36	–	–	–	131	56
Multilateral development banks	109	–	–	–	–	–	–	–	109	–
International organisations	380	–	–	–	–	–	–	–	380	–
Institutions	–	2,680	3,368	2,897	120	69	30	–	9,163	2,380
Corporates	–	–	681	399	3,472	133	14	–	4,700	3,175
Exposures in default	–	–	–	–	–	–	–	–	–	–
Items of high risk	–	–	–	–	–	9	–	–	9	9
Securitisations	–	–	–	–	–	–	–	–	–	–
Equity Exposures	–	–	–	–	2	–	–	–	2	2
Other Items	–	–	–	–	101	–	–	–	101	101
Grand Total	3,649	2,680	4,187	3,394	3,730	212	44	–	17,897	6,791

31.12.2017

<i>GBP million</i>	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
Multilateral 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

¹ Exposure is stated after the application of CCFs and CRM and the addition of volatility adjustments to exposures

The increase in exposures on 0% risk weighted central governments & central banks and 20% risk weighted Institutions is materially driven by a change in how the liquidity buffer has been sourced, where during 2018 there has been a switch in sourcing from securities borrowing to outright purchase, in addition to an increase in cash deposited with central banks.

EBA Disclosures on credit adjustments, write offs & impairment

The EBA specifies a number of templates (CR1 A-E and CR2 A-B) around credit and specific risk adjustments, write offs and impairments but due to the nature of the business conducted in UBS Limited these are not deemed to be material 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 tables outline the extent of usage of CRM techniques. It shows the carrying values of all collateral, financial guarantees and credit derivatives used as CRM.

EU CR3 - CRM techniques overview

30.06.2018	Exposures unsecured - carrying amounts	Exposures secured - carrying amounts	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
<i>GBP million</i>					
Exposure carrying values under credit risk mitigation					
Total receivables	1,561	816	816	–	–
Total debt securities	3,155	–	–	–	–
Total exposures	4,716	816	816	–	–
<i>of which defaulted</i>	–	–	–	–	–
<hr/>					
31.12.2017	Exposures unsecured - carrying amounts	Exposures secured - carrying amounts	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
<i>GBP million</i>					
Exposure carrying values under credit risk mitigation					
Total receivables	756	831	831	–	–
Total debt securities	2,615	–	–	–	–
Total exposures	3,371	831	831	–	–
<i>of which defaulted</i>	–	–	–	–	–

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

The following tables outline 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

30.06.2018	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWA density
<i>GBP million</i>						
Exposure class						
Central governments and central banks	2,617	–	2,617	–	–	0%
Regional governments and local authorities	75	–	75	–	15	20%
Public sector entities	51	–	51	–	10	20%
Multilateral development banks	103	–	103	–	–	0%
International organisations	380	–	380	–	–	0%
Institutions	1,704	1	888	1	593	67%
Corporates	498	1,282	498	539	1,144	110%
Items associated with particularly high risk	–	19	–	9	14	150%
Equity	2	–	2	–	2	100%
Other items	101	–	101	–	101	100%
Total	5,531	1,302	4,716	549	1,879	36%

31.12.2017	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWA density
<i>GBP million</i>						
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%

The increase in RWA density relating to institutions is mainly driven by free of payment fails at the end of 30.06.2018

Liquidity

Liquidity coverage ratio (LCR)

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

Liquidity coverage ratio

Solo					
		<i>GBP million</i>			
Quarter Ended on:		30/09/2017	31/12/2017	31/03/2018	30/06/2018
21	Liquidity Buffer	5,755	5,758	5,744	5,712
22	Total net cash outflows	1,358	1,317	1,269	1,237
23	Liquidity coverage ratio (%)	450%	454%	473%	473%

The above table shows UBS Limited's average LCR for the four 12 month periods ending on the quarter dates shown. Over those periods the rolling average LCR ratio exceeded the Pillar 1 regulatory minimum requirement, ranging between 450% and 473%, with the period ending Q2 2018 remaining unchanged. The LCR regulatory minimum requirement was 90% up until 31 December 2017 and then increased to 100% from January 2018. These ratios do not take into account Pillar 2 requirements.

Leverage ratio

Leverage ratio exposures

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

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

Leverage ratio disclosures

<i>GBP million</i>	30.06.2018	31.12.2017
On-balance sheet items (excluding derivatives, securities financing transactions but including collateral)	14,622	13,647
Asset amounts deducted in determining Tier 1 capital	(5)	(7)
Total on-balance sheet exposures	14,617	13,640
Replacement cost of derivative transactions	1,429	1,610
Add-on amounts for potential future exposure of derivative transactions	19,662	19,783
Receivable assets for cash variable margin for derivative transactions	(1,644)	(1,833)
Exempted CCP transactions	(7,044)	(7,188)
Adjusted notional of written credit derivatives	3,732	2,821
Adjusted effective notional offsets & add-on deductions for written credit derivatives	(3,721)	(2,787)
Total derivative exposures	12,413	12,405
Gross securities financing transaction assets	18,432	17,283
Netted amounts of cash payables and receivables of gross securities financing transaction assets	(10,658)	(8,551)
Counterparty credit risk exposure for securities financing transaction assets	863	912
Total securities financing transaction exposures	8,637	9,645
Off-balance sheet exposures at gross notional amounts	1,302	1,475
Adjustments for conversion to credit equivalent amounts	(753)	(756)
Total other off-balance sheet assets	549	720
Total leverage ratio exposure	36,217	36,409
Tier 1 Capital	2,759	2,764
Leverage Ratio	7.62%	7.59%

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

Reconciliation of accounting assets and leverage ratio exposures

<i>GBP million</i>	30.06.2018	31.12.2017
Total assets as per published financial statements	37,532	35,569
Adjustments for derivative instruments	(2,283)	(325)
Adjustments for securities financing transactions (SFTs)	424	453
Adjustments for off-balance sheet items	549	720
Other adjustments	(5)	(7)
Total	36,217	36,409

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

Split of balance sheet exposures

<i>GBP million</i>	30.06.2018	31.12.2017
Total on-balance sheet exposures (excluding derivatives, SFTs, exempted exposures)	12,978	11,834
Trading book exposures	7,811	7,439
Banking book exposures	5,167	4,395
<i>of which:</i>		
<i>Sovereigns</i>	3,100	2,445
<i>Local and regional government, public sector and supranationals not treated as sovereigns</i>	126	135
<i>Institutions</i>	1,640	1,464
<i>Corporate</i>	294	323
<i>Other exposures</i>	7	28

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