



Pillar 3

UBS Limited – **30 September 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 September 2018.

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

UK withdrawal from the EU

We have planned our response to the UK withdrawal from the EU assuming that the UK will leave the EU in March 2019 and that any transition arrangements will only become legally binding 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 are in the process of obtaining regulatory approvals for the merger of UBS Limited, our UK-headquartered subsidiary, into UBS Europe SE, our German-headquartered European subsidiary. 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 a business transfer proceeding and the merger of the two entities. We have now commenced the business transfer proceeding in the UK to facilitate the transfer of client business as well as the cross-border merger proceeding. We currently expect the business transfer and merger to become effective in the first quarter of 2019, prior to the UK leaving the EU at the end of March 2019.

We anticipate that clients and other counterparties of UBS Limited who can be serviced by UBS AG, London Branch generally will be migrated to UBS AG, London Branch in the fourth quarter of 2018 and prior to the merger of UBS Limited and UBS Europe SE. In connection with the merger, a small number of roles will be relocated from the UK to other European locations. We also expect to increase the loss-absorbing capacity of UBS Europe SE to reflect the additional activities it would acquire. The timing and extent of any 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>	30.09.2018	30.06.2018	31.12.2017
Total Credit Exposure	18,409	17,897	16,134
Total RWA	12,119	11,593	10,473
<i>Of which credit risk (including CVA Risk)</i>	<i>7,595</i>	<i>8,094</i>	<i>7,249</i>
<i>Of which market risk</i>	<i>2,244</i>	<i>2,071</i>	<i>1,876</i>
<i>Of which operational risk</i>	<i>1,428</i>	<i>1,428</i>	<i>1,349</i>
<i>Of which large exposures</i>	<i>852</i>	-	-
Capital ratio - CET1	20.81%	21.77%	24.15%
Capital ratio - Tier 1	22.74%	23.80%	26.39%
Capital ratio - Total Capital	24.83%	29.73%	32.93%
Leverage ratio	7.27%	7.62%	7.59%
Liquidity Coverage ratio	441%	473%	454%

The minimum regulatory total capital ratio was 12.17% as at 30.09.2018

Capital requirements

EU OV1: Overview of RWAs

The following table outlines an overview of the RWAs (Risk Weighted Assets) and the capital requirement for UBS Limited.

EU - OV1 - Overview of RWAs

GBP million	30.09.2018		30.06.2018		31.12.2017	
	RWA	Capital Requirements	RWA	Capital Requirements	RWA	Capital Requirements
Credit Risk (excluding CCR)	1,449	116	1,880	150	1,098	88
of which the standardised approach	1,449	116	1,880	150	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	6,098	488	6,142	491	6,113	489
of which mark to market and financial collateral comprehensive method ¹	2,622	210	2,583	207	2,887	231
of which original exposure	–	–	–	–	–	–
of which the standardised approach	–	–	–	–	–	–
of which the internal model method (IMM) and internal model approach (IMA) ²	2,625	210	2,719	218	2,152	172
of which risk exposure amount for contributions to the default fund of a CCP	121	10	111	9	209	17
of which CVA	730	58	729	58	865	69
Settlement risk	49	4	73	6	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	2,244	180	2,071	166	1,876	150
of which IMA	–	–	–	–	–	–
Large exposures	852	68	–	–	–	–
Operational risk	1,428	114	1,428	114	1,349	108
of which BIA approach	1,428	114	1,428	114	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	12,119	969	11,593	928	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

The increase in total RWA is materially driven by £0.85bn relating to large exposures, which was the result of a short-term increase in intercompany nostros that have since settled. This is partially offset by a fall in free of payment fails, where transient increases were noted in Q2 2018.

Exposure to counterparty credit risk

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 30.09.2018	RWA Amounts	Capital Requirements
<i>GBP Million</i>		
RWAs as at the end of the previous reporting period (30.06.2018)	2,102	168
Asset size	(192)	(15)
Credit quality of counterparties	1	–
Model updates (IMM only)	–	–
Methodology and policy (IMM only)	–	–
Acquisitions and disposals	–	–
Foreign exchange movements	8	1
Other	–	–
RWAs as at the end of the current reporting period (30.09.2018)	1,919	154

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

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:		31/12/2017	31/03/2018	30/06/2018	30/09/2018
21	Liquidity Buffer	5,758	5,744	5,712	5,489
22	Total net cash outflows	1,317	1,269	1,237	1,277
23	Liquidity coverage ratio (%)	454%	473%	473%	441%

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 441% to 473%. The LCR regulatory minimum requirement was 90% up until 31 December 2017 and then increased to 100% in January 2018. These ratios do not take into account Pillar 2 requirements.

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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.

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