



UBS Asset Management UK

Pillar 3 Supplementary Disclosures - 31 December 2018

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# Introduction and Scope

## Scope of Pillar 3 disclosure

The Capital Requirements Directive “CRD” requires investment firms to publish information relating to their risk management and capital adequacy.

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

It complements the two other pillars of CRD IV;

- **Pillar 1** – Assesses the minimum capital requirements of a firm through the application of standard rules to address credit, market and operational risk;
- **Pillar 2** – Complements the Pillar 1 requirements by taking into consideration the need to hold additional capital in relation to the specific risk profile of the business; and
- **Pillar 3** – Comprises a set of disclosure requirements which enable external parties to assess information on a firm’s risks, its risk management procedures and its capital adequacy.

This statement is for the financial year ended 31 December 2018 and is produced on an annual basis using the last audited financial results of the entities in scope. These disclosures are not subject to audit and have been produced solely for the purposes of meeting the Pillar 3 regulatory requirements.

FCA regulatory supervision is performed at the level of UBS Asset Management Holding (No.2) Ltd, which is the parent company of UBS Asset Management in the UK. The entities which form the basis of these Pillar 3 disclosures are as follows:

- UBS Asset Management Holding No.2 Ltd. (a non-regulated entity)
- UBS Asset Management Holding Ltd. (a non-regulated entity)
- UBS Asset Management (UK) Ltd. (regulated by the FCA)
- UBS Asset Management Funds Ltd. (regulated by the FCA)

This group of entities is hereafter referred to as UBS AM UK.

The ultimate parent of UBS Asset Management Holding (No.2) Limited is UBS AG and further qualitative disclosures around the UBS Group’s risk management policies and processes may be found in the UBS Group AG disclosures at the following link:

[https://www.ubs.com/global/en/about\\_ubs/investor\\_relations/annualreporting/2018.html](https://www.ubs.com/global/en/about_ubs/investor_relations/annualreporting/2018.html)

# Risk management objectives and policies

## **Declaration of adequacy of risk management arrangements**

The management of UBS AM UK has assessed the adequacy of risk management arrangements of the companies in the scope of this disclosure. Based on this assessment, management considers that risk management systems put in place are adequate with regard to the profile and strategy of UBS AM UK. 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 Control Framework for UBS Asset Management UK**

UBS Asset Management in the UK is subject to the UBS Group Risk Management and Control Principles, which are designed to support optimal risk-return decisions. Holistic governance together with aligned risk, compliance and finance processes are designed to help protect UBS AM UK from unacceptable damage to its financial strength, performance and reputation. The risk management and control processes of UBS AM UK help are formulated to ensure that risk and return objectives are appropriately balanced in order to achieve sustainable earnings growth within the risk appetite established by the UBS AM UK Boards.

## **Three Lines of Defence Model**

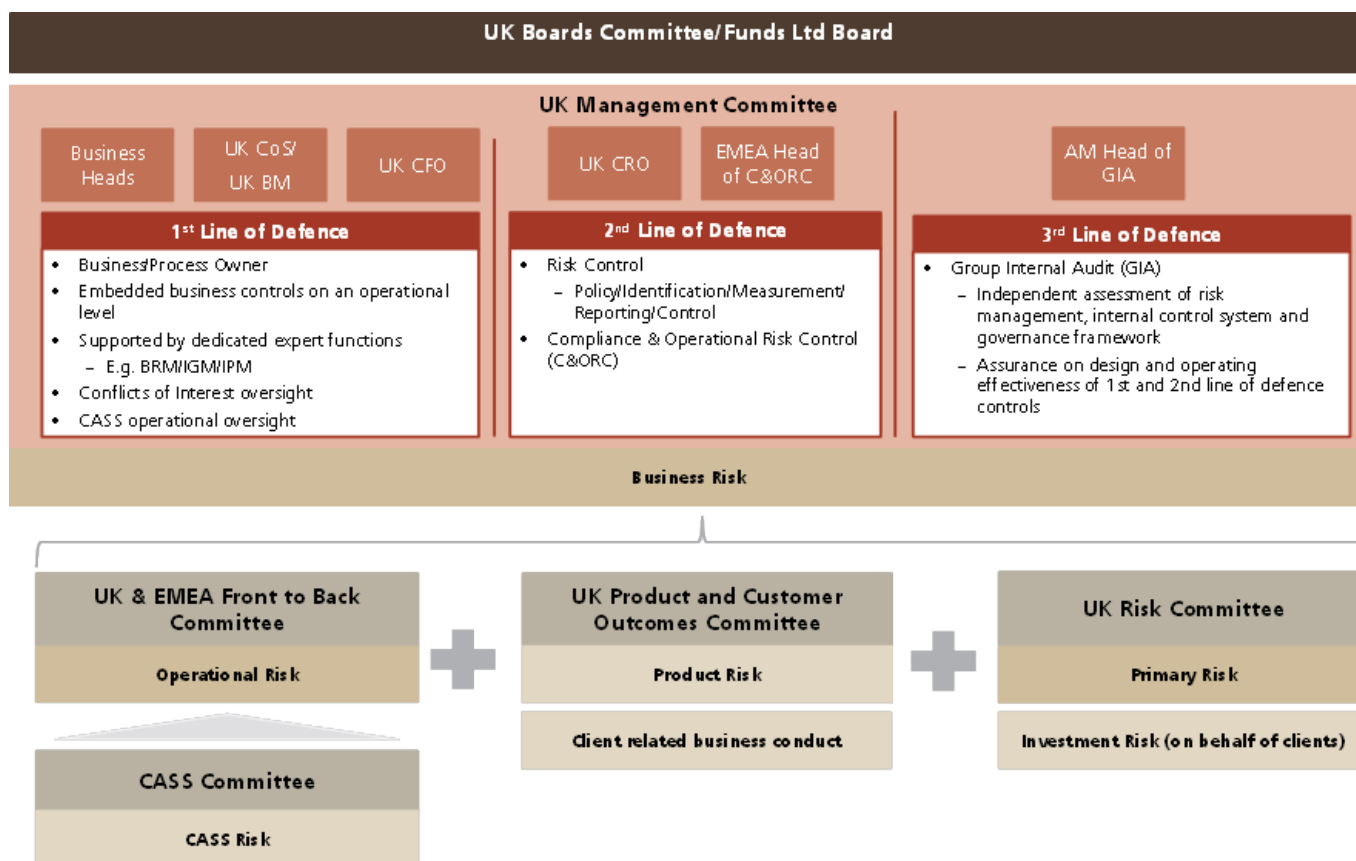
UBS takes a 'Three Lines of Defence' approach to risk and control.

- 1) 1st Line of Defence – the business, which is responsible for proper risk management and culture within their daily business activities.
- 2) 2nd Line of Defence – Independent Risk Management and Control. The UK Chief Risk Officer (UK CRO) and EMEA Head of Compliance & Operational Risk Control (C&ORC) are members of the UK Management Committee. They are mandated with monitoring and challenging the effectiveness of the management of risk by the business.
- 3) 3rd Line of Defence – Group Internal Audit, an independent and objective function that supports the business in achieving its defined strategic, operational, and financial and compliance objectives.

The objective of the control functions in all lines of defence is to support the UK Management Committee and the Boards in implementing a comprehensive and sound risk management and risk control framework across all legal entities of UBS AM UK and to continuously improve it.

The control functions within the three lines of defence act independently from each other with the mission to monitor adherence to policies and procedures as well as compliance with laws and regulations. For reasons of independence, a strict segregation of duties applies, meaning that the tasks of the control functions are controlled by the next level of defence respectively and the staff do not form part of, or depend hierarchically upon, functions controlled by them. In addition, they are subject to a remuneration policy which aims to avoid any conflict of interest by being independent from the business performance of the bank.

### Three Lines of Defence Model



### Identification of Key Risks

UBS AM UK conducts an annual Risk Identification Process where all relevant risks for the business are identified in the context of the business model.

UBS AM UK is exposed to the following risks in achieving its strategic objective:

- I. Business Risk
- II. Primary & Related Risks
- III. Operational Risk
- IV. Other Risks

### Business Risk

Like any business, UBS AM UK can face the risk of poor business decisions, poor execution of those decisions and the risk of inadequate resource allocation or resource constraints. UBS AM UK considers these business risks as well as Competition Risk,

Industry Risk, People Risk, Country Risk, Regulatory Risk and Performance Risk as part of the annual ICAAP.

### Primary Risks

The Primary risks relevant for the UBS AM business in the UK are Market Risk, Credit Risk, Concentration Risk, Liquidity and Funding Risk, Interest Rate Risk and Investment Risk.

### Market Risk

Whilst UBS AM UK does not actively take market risk it arises in the form of FX risk on fees receivable in non-GBP currencies between the date of fees accruing and receipt and transfer into GBP.

### Credit Risk / Concentration Risk

Whilst UBS AM UK does not actively take credit risk, it arises as a result of exposure to third party institutions where cash is deposited. This risk is actively managed and is mitigated through the holding of UK Gilts.

### **Liquidity & Funding risk**

Liquidity risk is the risk that a firm, although solvent, does not have sufficient available financial resources to meet its obligations as they fall due. UBS AM UK complies with BIPRU 12 and performs liquidity assessments for each entity within the scope of this disclosure.

### **Interest Rate Risk in the Banking Book**

AM UK's balance sheet does not contain assets and liabilities that need re-pricing and there are no off balance sheet positions or risks arising from hedging of exposures. UBS AM UK does not offer any products using its balance sheet which involve interest rates. The holding of Gilts gives rise to interest rate risk in the banking book. Whilst these instruments are intended to be held to maturity and are accounted for on that basis, the risk to the value that would be realised if they were sold before maturity is assessed as part of our ICAAP.

### **Investment Risk**

Investment risk relates to client money and the management of investment risk on client money is an important part of the risk management processes of UBS Asset Management as poor performance could lead to client withdrawals.

### **Primary-Related Risks considered as part of the ICAAP**

#### **Client Settlement Risk**

UBS AM UK can face "delayed settlement" risk where the entity would need to fund settlement from clients which may not be received in a timely manner.

#### **Step-In Risk**

Step-In Risk is the risk of UBS AM UK needing to provide financial support to a fund or mandate beyond, or in the absence of, any contractual obligations, should the fund or mandate experience financial stress.

#### **Group Risk**

Group risk is the risk that the financial position of a firm may be adversely affected by its relationships (financial or non-financial) with other entities in the UBS group, or by risks which may affect the financial position of the whole group (e.g. reputational, contagion)

#### **Pension Risk**

UBS AM UK has no pension risk as this resides with UBS AG which is the employer of all UBS AM UK staff.

### **Operational Risk**

The primary risk to which AM UK is exposed is operational risk. This is the risk resulting 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. Operational risk events may also result in damage to the reputation or franchise of UBS AM UK, which could have longer term financial consequences. Operational risk arises in all entities in scope of the Pillar 3 disclosure, although the largest proportion of capital required for operational risk relates to UBS Asset Management (UK) Ltd.

### **Other Risks Identified in Regulations**

#### **Securitisation Risk**

The business activities of UBS AM UK do not include securitising assets so this risk is not relevant.

#### **Risk of Excessive Leverage**

This risk is not relevant for UBS AM UK as the business is a fee-driven business and the legal entities are not themselves leveraged.

#### **Residual Risk**

Residual risk is the risk that credit risk mitigation techniques used by the firm prove less effective than expected. As UBS AM UK does not use credit risk mitigation techniques, residual risk is therefore not considered significant.

Risk assessments designed to evaluate the inherent risk, strength of the control environment and resulting residual risks such as Reputational & Media, Regulatory, Financial, Market Impact and Client risk are performed annually within the firm. Additionally, the Operational Risk Framework assesses residual risk across the firm, and considers the impact of aggregate 'immaterial' risks which do not have a direct impact on one specific business area.

### **Risk Appetite Framework**

UBS AM UK's Risk Appetite Framework closely follows that of the UBS Group and is designed to ensure that risk-taking is in line with the entity's strategic priorities, capital and liquidity plans, as well as the risk culture established through UBS pillars, principles and behaviors. The Risk Appetite Statement for UBS AM UK is formulated against the background of the UBS Group Risk Appetite Framework with which legal entities and divisions must comply.

The UBS AM UK Boards are responsible for setting and implementing the Risk Appetite Framework, together with monitoring business performance against it on an ongoing basis. The Boards approve the Risk Appetite statements annually, with a mid-year review of appropriateness, and review MI against the risk appetite statements on a regular basis and determine actions to be taken should risk appetite be exceeded.

## Key Metrics

### Key Metrics

The following is a summary of the key metrics of UBS AM UK.

#### Key Metrics

<i>GBP million</i>	<b>31.12.18</b>	31.12.17
<b>Total Credit Exposure</b>	<b>405</b>	330
<b>Total RWA</b>	<b>405</b>	330
<i>Of which credit risk</i>	<b>148</b>	183
<i>Of which market risk</i>	<b>22</b>	25
<i>Of which additional fixed overheads</i>	<b>235</b>	122
<b>Capital Ratio - CET1</b>	<b>45.23%</b>	54.95%
<b>Capital Ratio - Tier 1</b>	<b>45.23%</b>	54.95%
<b>Capital Ratio - Total Capital</b>	<b>45.23%</b>	54.95%

# Governance

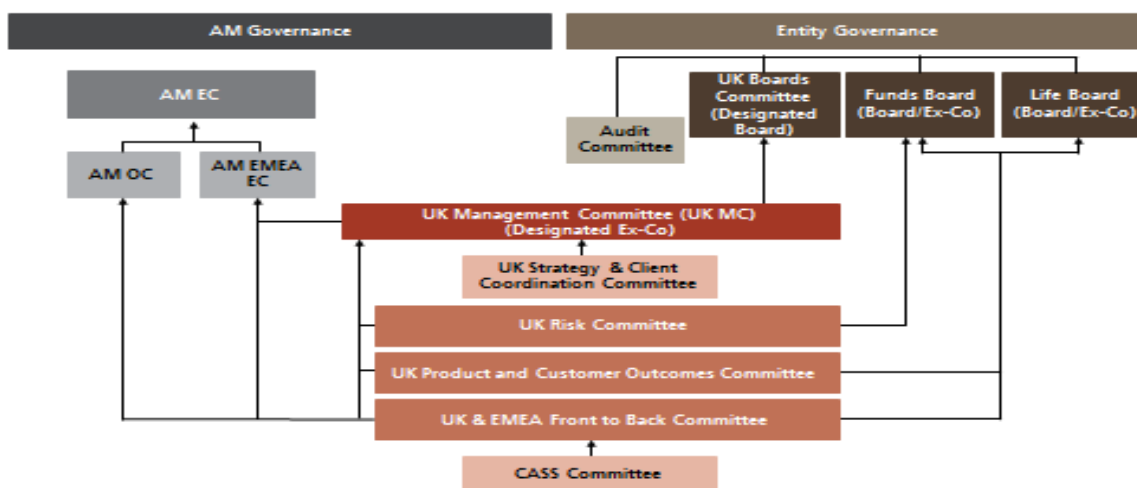
UBS AM UK is committed to having a strong control environment in order to promote high standards of entity governance. Throughout our organisation there is proper definition of responsibilities, with respective reporting lines supported by defined documented procedures necessary for efficient day-to-day operation of UBS AM UK. These procedures are reviewed and updated at least annually and are subject to approval by the independent control functions of the UBS Group. UBS AM UK draws on the expertise within the Asset Management business division and the wider UBS Group.

The UK governance framework supports both the Boards of the three main regulated entities, as well as the AM divisional governance bodies. For the purpose of this Pillar 3 note there are two Boards which are relevant, the UK Boards Committee and the Funds Board. The UK Boards Committee is a board constituted at UBS Asset Management Holding (No.2) Ltd level. This board meets on a unitary basis on behalf of UBS Asset Management (UK) Ltd, UBS Asset Management Holding (No.2) Ltd. and UBS Asset Management Holding Ltd. A decision taken by the UK Boards Committee in relation to a specific entity is a decision of the board of that entity.

## UBS AM UK Governance Structure as at 31st December 2018

The legal entity boards are supported by several committees, including the UK Management Committee, the UK Risk Committee, the UK & EMEA Front to Back Committee, the UK Product and Customer Outcome Committee and the UK Strategy Client and Coordination Committee, as set out in the following chart :-

UBS Asset Management UK Governance Structure as at 31<sup>st</sup> December 2018





### **Recruitment Policy for the Management body**

Our employees' skills, experience and commitment are key to delivering on our business strategy. Our human resource strategy seeks to hire, develop and engage talented employees at all levels who have the diverse backgrounds and capabilities to advise our clients, develop new products, manage risk and adapt to evolving regulations. We invest in our employees and promote initiatives that build engagement and a cohesive and collaborative culture. The Boards of UBS AM UK appoint directors, taking into consideration a broad range of qualities and competencies, and evaluate the balance of knowledge, skills, experience, and independence of the candidates.

### **Diversity and Equal opportunity**

Our diverse workforce and inclusive culture are critical to our long-term success. We are committed to further increasing our diversity and to ensuring equal opportunities for all employees. Details of this and our strategic initiatives can be found at [www.ubs.com/diversity](http://www.ubs.com/diversity)

### **The Boards and Senior Management Team**

The details of the directors of the UBS AM UK entities in scope for this disclosure note, together with the number of other directorships each member held as at 31st December 2018 are shown below:

#### ***Priscilla Davies - Non-Executive Director, Chair of UBS Asset Management (UK) Ltd.***

Priscilla Davies joined UBS in September 2017 with over 25 years' experience in financial services across a range of sectors including asset management, alternative investments, private equity, infrastructure and real estate. During her executive career with Janus Henderson Investors (previously Henderson Global Investors) from 2000 to 2015 she held roles covering investments, finance and operations. She also managed Asian private equity, infrastructure and private equity fund of funds with £1bn of assets under management.

Prior to Janus Henderson, Priscilla was a tax advisor with PwC in both their London and Sydney offices. Priscilla is a Chartered Accountant and a member of the Chartered Accountants Australia and New Zealand and holds a Bachelor of Commerce (Accounting and Legal Studies) from the University of Wollongong.

#### ***Pete Davis - Non-Executive Director, Chair of UBS Asset Management Funds Ltd, Chair of UBS AM UK Audit Committee.***

Pete is a Fellow of the Institute of Actuaries (1988) and has a First Class BSc. Honours degree in Mathematics from the University of Manchester (1981). During his executive career Pete worked for companies within the Zurich Financial Services Group between 1981 and 2014. His final role was Head of Global Funds Desk where he had global responsibility for commercial relationships and governance oversight of external asset managers as well as oversight of dealing and operating platforms.

Previous roles at Zurich included Head of UK Fund Propositions, Business Development work within the UK IFA business, Product Marketing and 14 years in the Finance/ Actuarial Division.

#### ***Keith Jecks - Non-Executive Director, UBS Asset Management (UK) Ltd.***

Keith joined UBS in 2018 as a Non-Executive Director of UBS Asset Management (UK) Ltd. and member of the UBS AM UK Audit Committee. His early career began in 1975 at Friends' Provident, with moves to Hymans Robertson, IBM and Noble Lowndes (now part of Mercer) and Lloyds Investment Managers in 1986. In 1989 he became a Member of the Global Executive Committee at Kleinwort Benson Investment Management (KBIM) Holdings and CEO North America, based in New York for 3 years. He also held positions at Lloyds Investment Managers and Lazard Brothers Asset

Management and was a partner at Watson Wyatt Partners until 2004.

Between 2004 and 2008 he was Global Head of Pension Fund Advisory for ABN AMRO where he established the global function providing investment banking solutions for pension funds, with teams in the UK, Netherlands, Asia, Japan, Switzerland, Italy and Nordic region. Keith's most recent executive career position was from 2008 to 2013 as Senior Investment Consultant with Towers Watson Ltd.

He is Deputy Leader of Tandridge District Council, appointed to the Finance and Investment Committee and to the Resources Committee and Trustee and Chairman of Birmingham Women and Children's Hospital Charity Investment Advisory Committee. Keith's other current roles include Chairman of the Investment Sub-Committee of British Red Cross Society as well as member of the Investment Advisory Committee of British Red Cross Pension Scheme. He has previously held non-executive roles with Investcorp and ORTEC.

#### ***John Stannard - Non-Executive Director, UBS Asset Management Funds Ltd***

John is a member of the board of UBS Asset Management Funds Ltd, and also chairs the board of UBS Asset Management Life Ltd. He is a member of the UBS AM UK Audit Committee spanning all aspects of the UK business including investment management activities. Other non-executive activities include Pension Trustee for the Tesco Stores Limited Defined Benefit Plan and Trustee Chairman of the Wine Society Scheme. John is also Interim Investment Officer for the Civil Aviation Company Pension Scheme and an independent Trustee for The Mercer Master Trust, a UK multi-employer DC arrangement to enable employees to outsource their DC pension arrangements. John has been a contributor to a wide range of industry initiatives including chairing the CFA Institute board and the GIPS Investment Performance Council. In 2011 he was awarded the CFA Institute's Daniel Forestall III Leadership Award for providing leadership and championing the pursuit of excellence in professional ethics.

#### ***Adam Aziz - Executive Director, Board Member of UBS Asset Management Funds Ltd.***

Adam is the UK Local Operating Officer and the EMEA Regional Operating Officer and is a member of the AM Operating Committee. He reports to the UK AM CEO and is the Chair of the UK and EMEA Front to Back Committee with oversight of the operating environment of the UK business. He also has responsibility for implementation of the regulatory and governance framework. Prior to joining Asset Management, Adam had a number of roles across other divisions of UBS including Corporate Center, Wealth Management and Regional Governance having joined the Investment Bank as a graduate trainee in the Consumer & Retail team of the Corporate Finance department in 2005.

***Ruth Beechey - Managing Director, Board Member of UBS Asset Management (UK) Ltd.***

Ruth joined UBS Asset Management in 2000 and is Chief of Staff for the UK region. She previously held the role of Head of UK Legal & Compliance for UBS Asset Management in the UK. She has been on the UK boards for 15 years and is a member of the UK Management Committee. Prior to this she worked at Deutsche Asset Management. She has a total of 25 years in the financial services industry, working at Birmingham Midshires Building Society before moving to the investment industry.

Ruth is a company-nominated Trustee Director of the UBS Pension and Life Assurance Scheme. She holds a University of Lancaster (UK) LLB (Hons) degree, a Post-Graduate Diploma from the College of Law, Chester (UK) and qualified as a Solicitor in 1996.

***Eric Byrne - Chief Executive Officer, Head of UK Asset Management, Board Member of UBS Asset Management (UK) Ltd. and UBS Asset Management Funds Ltd.***

Eric was appointed Head of UBS Asset Management in the UK in October 2016 with responsibility for the management and strategic development of the UK business. He chairs the UK Management Committee and is a member of the EMEA Management Committee. Eric is also Head of Multi-Managers for the Real Estate & Private Markets (REPM) business for UBS Asset Management. He is a member of the REPM Management Committee as well as the Multi Manager Investment, Valuation and Risk Committees. Eric joined UBS Asset Management in 1996 in Hedge Fund Services in the

Cayman Islands, where he became Chief Operating Officer, before returning to London in 2004. He established the internal control framework for Sarbanes Oxley for the business division and launched hedge fund and infrastructure third party funds. Prior to joining UBS, Eric held roles at Deloitte & Touche (1989–1993) and Barclays Capital (1993–1995). Eric qualified as a chartered accountant in 1992 (ACA, ICAEW)

***Andrew Larkin - Managing Director, Board Member of UBS Asset Management Funds Ltd., Chair of UK Product and Customer Outcomes Committee***

Andrew joined UBS Asset Management as Head of Wholesale for the UK, Nordics and Benelux regions in January 2018 with responsibility for the ongoing development, implementation and management of UBS's wholesale strategy for financial institutions and retail clients.

Prior to joining UBS Asset Management Andrew was Head of Global Strategic Relationships at JP Morgan Asset Management where he was responsible for a team focusing on growing assets across the Private Banks, Family offices, Discretionary Mandates, Service Providers and the Intermediated Platform Market. Prior to joining JP Morgan in 2014 Andy also held positions at Neptune Asset Management, M&G Investments and Deutsche Asset Management.

## Board Composition as at 31<sup>st</sup> December 2018

### UBS Asset Management Holding (No.2) Ltd and its subsidiaries' directors - number of directorships

	Total Number of Directorships held	Directorships under SYSC 4.3 A.7 (2) R that do not count for the limits under SYSC 4.3A 5R & 6R	Directorships after SYSC 4.3A7(2) adjustments (E= Executive, NE = Non-Executive) (E = Executive, NE = Non-Executive)
P. Davies (Non-Executive Director)	1	0	1NE
P. Davis (Non-Executive Director)	6	3	2NE, 1E
K. Jecks (Non-Executive Director)	1	0	1NE
J. Stannard (Non-Executive Director)	3	1	1NE, 1E
A. Aziz	1	0	1E
R. Beechey	4	3	1E
E. Byrne	5	4	1E
A. Larkin	1	0	1E

All board members have equal voting rights on resolutions and decisions. The composition of the boards for the above-named entities is reviewed on an ongoing basis to ensure appropriate representation.

# Own funds

## Reconciliation of balance sheet total equity to regulatory capital

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

### Reconciliation of balance sheet total equity to regulatory capital

<i>GBP million</i>	31.12.18	31.12.17
<b>Balance sheet total equity <sup>1</sup></b>	<b>183</b>	181
Less:		
<i>Significant investments</i>	-	-
<i>Amount exceeding the 15% threshold</i>	-	-
<b>Total Own Funds</b>	<b>183</b>	181

<sup>1</sup> Taken from 2018 and 2017 ICAAP for UBS Asset Management Holding (No.2) Ltd and its subsidiaries

### Nature and amounts of capital deductions from own funds

<i>GBP million</i>	31.12.18	31.12.17
Capital instruments and the related share premium accounts		
<i>of which: Instrument type 1</i>	181	181
<i>Retained earnings</i>	2	(21)
<i>Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)</i>	-	-
<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>183</b>	160
Instruments of financial sector entities where the institution has a significant investment	-	-
Amount exceeding the 15% threshold	-	-
<b>Total Common Equity Tier 1 capital</b>	<b>183</b>	160
Capital instruments and the related share premium accounts		
<i>of which: classified as equity under applicable accounting standards</i>	-	-
<b>Total Additional Tier 1 capital</b>	<b>-</b>	-
<b>Total Tier 1 capital</b>	<b>183</b>	160
<b>Total Tier 2 capital</b>	<b>-</b>	-
<b>Total Own Funds</b>	<b>183</b>	160

The capital base for UBS Asset Management Holding No.2 and its subsidiaries is comprised entirely of CET1 capital with the following features.

### Capital Instruments Main Features

	Common Equity Tier 1 'A' Shares	Common Equity Tier 1 'B' Shares
Issuer	UBS Asset Management Holding (No.2) Ltd	UBS Asset Management Holding (No.2) Ltd
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A
Governing law(s) of the instruments	English	English
<i>Regulatory treatment</i>		
Transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1
Post-transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1
Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo	Solo
Instrument type (types to be specified by each jurisdiction)	CET1 Instrument	CET1 Instrument
Amount recognised in regulatory capital (as of most recent reporting date)	GBP 100	GBP 181million
Nominal amount of instrument	GBP 0.01	GBP 10
Issue price	Par	Various
Redemption price	Par	Par
Accounting classification	Shareholders' Equity	Shareholders' Equity
Original date of issuance	Various	Various
Perpetual or dated	Perpetual	Perpetual
Original maturity date	No Maturity	No Maturity
Issuer call subject to prior supervisory approval	N/A	N/A
Optional call date, contingent call dates and redemption amount	N/A	N/A
Subsequent call dates, if applicable	N/A	N/A
<i>Coupons / dividends</i>		
Fixed or floating dividend/coupon	Floating	Floating
Coupon rate and any related index	N/A	N/A
Existence of a dividend stopper	No	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary
Existence of step up or other incentive to redeem	No	No
Noncumulative or cumulative	Non cumulative	Non cumulative
Convertible or non-convertible	Non convertible	Non convertible
Write-down features	No	No
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	A' Shares
Non-compliant transitioned features	No	No

Both 'A' and 'B' Share classes are held by the Company's immediate parent undertaking, UBS Asset Management AG.

'A' shares carry 100% of the voting rights of the Company on a one vote per share basis. They carry no rights to share in the profits of the Company and, on winding up of the Company, entitle the holder to the return of the nominal value of the shares.

'B' shares carry no voting rights. They carry the right to dividends as recommended by the Directors and unlimited rights to share in the surplus remaining on a winding-up after all liabilities and the rights of 'A' shares have been satisfied.

# Capital requirements

## Assessing capital requirements

Under the UBS Group entity framework, the Boards are ultimately responsible for the entities' capital adequacy in accordance with local policy, regulatory and legal requirements. As required under CRD IV, UBS AM UK monitors the adequacy of its capital resources on a quarterly basis and through the annual Internal Capital Adequacy Assessment Process, referred to as ICAAP. The ICAAP is owned and governed by the Boards.

Retained earnings are distributed as dividends to the parent in line with Group policy and are subject to the approval of the relevant Boards, following consideration of the future needs of UBS AM UK. The UBS AM UK group had a significant capital surplus as at 31<sup>st</sup> December 2018.

### Pillar 1 capital requirements

<i>GBP million</i>	31.12.18	31.12.17
<b>Credit, counterparty credit risks</b>		
<i>Institutions</i>	12	15
<b>Position, foreign exchange and commodities risk</b>		
<i>Foreign exchange</i>	2	2
<b>Additional risk exposure amount due to fixed overheads</b>	18	10
<b>Total Pillar 1 capital requirement</b>	32	27

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

# Pillar 1 Credit Exposures

## Credit Exposure

<i>As at year end</i> <i>GBP million</i>	<b>As at 31.12.18</b>			<b>As at 31.12.17</b>		
	Average credit exposure	Credit exposure after accounting and regulatory offsets	RWA	Average credit exposure	Credit exposure after accounting and regulatory offsets	RWA
<b>Total Credit Exposure</b>						
<i>Institutions</i>	148	148	148	183	183	183
<b>Total</b>	148	148	148	183	183	183

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

## Analysis of credit exposure by counterparty type

The following tables provide further breakdown and analysis of Pillar 1 credit exposures.

### Credit Exposure by Counterparty

<i>31.12.18</i> <i>GBP million</i>	Corporates	Banks	Total
<b>Total Credit Exposure</b>			
<i>Institutions</i>	113	35	148
<b>Total</b>	113	35	148

<i>31.12.17</i> <i>GBP million</i>	Corporates	Banks	Total
<b>Total Credit Exposure</b>			
<i>Institutions</i>	122	61	183
<b>Total</b>	122	61	183

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



## Credit Exposure by Maturity

<i>As at year end</i> <i>GBP million</i>	<b>As at 31.12.18</b>		<i>As at 31.12.17</i>	
	<b>Due in 1 year or less</b>	<b>Total</b>	<b>Due in 1 year or less</b>	<b>Total</b>
<i>Total Credit Exposure</i>				
<b>Total Credit Exposure</b>				
<i>Institutions</i>	<b>148</b>	<b>148</b>	183	183
<b>Total</b>	<b>148</b>	<b>148</b>	183	183

*Note: Exposure classes for which UBS Asset Management UK has no reportable exposure have been removed from this table*

## Credit Exposure by Geographical Region

	<b>UK</b>	<b>Rest of Europe</b>	<b>North America</b>	<b>Asia Pacific</b>	<b>Total</b>
<i>As at 31.12.18</i> <i>GBP million</i>					
<b>Total Credit Exposure</b>					
<i>Institutions</i>	<b>92</b>	<b>24</b>	<b>19</b>	<b>13</b>	<b>148</b>
<b>Total</b>	<b>92</b>	<b>24</b>	<b>19</b>	<b>13</b>	<b>148</b>
<i>As at 31.12.17</i> <i>GBP million</i>					
<b>Total Credit Exposure</b>					
<i>Institutions</i>	89	31	46	17	183
<b>Total</b>	89	31	46	17	183

*Note: Exposure classes for which UBS Asset Management UK has no reportable exposure have been removed from this table*

**Regulatory net credit exposure before credit risk mitigation**

<i>31.12.18</i> <i>GBP million</i>	Credit Quality Step			Total
	1	2	3	
<b>Regulatory net credit exposure before credit risk mitigation</b>				
<i>Institutions</i>	15	4	129	148
<b>Total</b>	15	4	129	148

<i>31.12.17</i> <i>GBP million</i>	Credit Quality Step			Total
	1	2	3	
<b>Regulatory net credit exposure before credit risk mitigation</b>				
<i>Institutions</i>	38	8	137	183
<b>Total</b>	38	8	137	183

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

# Remuneration

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 2018, which can be viewed here :-

→ [Compensation report](#)

## Remuneration awarded for 2018 in respect of UBS Material Risk Takers (MRTs)

The following tables show details of the awards made to UK Regulated MRTs in Asset Management UK entities at UBS, identified under the Regulatory Technical Standards of the European Banking Authority ("EBA"), in respect of the 2018 financial year. All data is as of 31 December 2018.

In accordance with paragraph 2 of Article 450 of the CRR, which provides guidelines for compliance with the disclosure requirements to be appropriate to the size, internal organization and the nature, scope and complexity of the activities of the credit institution and without prejudice to Directive 95/46/EC ("EU Data Protection Directive"), awards have not been split between "Senior Management" and "Other", or between "Management Function" or "Supervisory Function" as due to the small number of individuals this would risk the disclosure of individual compensation.

### Number of beneficiaries and total remuneration by business area

	Number of Beneficiaries	Total Remuneration (GBP 000's)
<i>31.12.18</i>		
Asset Management	49	30,666
<i>31.12.17</i>		
Asset Management	38	22,685

### Total Remuneration

	Number of Beneficiaries	Fixed Remuneration (GBP 000's)	Variable Remuneration (GBP 000's)
<i>31.12.18</i>			
Asset Management total	49	10,881	19,785
<i>31.12.17</i>			
Asset Management total	38	7,159	15,526

**of which: Variable remuneration**

<i>As at 31.12.18</i> <i>(GBP 000's)</i>	Number of Beneficiaries	Immediate cash	Immediate Shares	Deferred Shares	Other Deferred Instruments
Total	43	11,405	0	6,284	2,095

<i>As at 31.12.17</i> <i>(GBP 000's)</i>	Number of Beneficiaries	Immediate cash	Immediate Shares	Deferred Shares	Other Deferred Instruments
Total	33	9,063	0	4,847	1,616

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

<i>GBP 000</i>	31.12.2018	31.12.2017
Deferred remuneration - granted during year	8,379	12,075
Deferred remuneration - distributed during year	8,278	5,082
Performance adjustments during year	0	0
Outstanding deferred remuneration at year end	24,025	34,945

Notes:

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

In accordance with Article 450 of the CRR, UBS Asset Management can report there are 7 UK Asset Management MRTs receiving total remuneration in excess of EUR 1,000,000. The Company is unable to make a more detailed disclosure due to the small number of individuals concerned and the risk that individual compensation could be disclosed.

**Summary of guaranteed incentives awarded to new hires**

<i>31.12.18</i>	Number of Beneficiaries	Amount (GBP 000's)
Total	-	-

<i>31.12.17</i>	Number of Beneficiaries	Amount (GBP 000's)
Total	-	-

**Summary of severance payments made**

<i>31.12.18</i>	Number of Beneficiaries	Amount (GBP 000's)
Total	3	352

<i>31.12.17</i>	Number of Beneficiaries	Amount (GBP 000's)
Total	-	-

# Contacts

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