Basel III - Pillar 3 Market Discipline

30 June 2018 Report

UBP

Union Bancaire Privée

Purpose and scope of this report

Disclosure principles

The purpose of this report is to publish in-depth information about risk management at the Union Bancaire Privée, UBP SA group in Switzerland (hereinafter the "UBP Group" or "the Bank"). This document explains how the Bank aligns its risk management to the level of its share capital.

It has been produced in compliance with the Swiss Financial Market Supervisory Authority's (FINMA) requirements regarding disclosure as set out in its Circular 2016/01 titled "Disclosure – banks".

The report is published twice a year within the two months following the mid-year closure of the accounts and four months following the closure of the annual accounts as per Swiss regulations (FINMA Circular 2016/01 Margin no. 40). It is available on the UBP Group's website, www.ubp.com.

The information in this report refers to the UBP Group's semi-annual consolidated accounts closed on 30 June 2018.

Scope of consolidation

The scope of consolidation relating to capital requirements is based on the scope that applies to the consolidated annual financial statements (see "Consolidated holdings" on page 12 of the annual financial report). The main holdings taken into account in the calculation of the capital requirement are stated on page 24 of the annual financial report.

The following amendments were made between 31/12/2017 and 30/06/2018:
The Bank sold its 50% stake in UBP TransGlobe Securities Investment Consulting Co., Ltd. in its entirety and opened a new Taiwan-based portfolio-management firm UBP Securities Investment Consulting Co., Ltd. with TWD 70 million worth of capital; this company is owned 100% by the Bank.

There is no indication of any internal or external restrictions preventing money or capital transfers within the UBP Group.

Table 1: Composition of eligible capital/reconciliation

Balance sheet

(in CHF thousands)	Based on close of accounts and relating to the consolidated Group	
	30.06.2018	31.12.2017
Assets		
Cash & cash equivalents	7,289,810	8,881,983
Due from banks	1,872,003	1,878,195
Due from securities financing transactions	833,531	292,545
Due from clients	8,221,301	7,736,181
Mortgages	1,522,052	1,475,424
Trading portfolio assets	403,943	23,087
Positive replacement values of derivative financial instruments	371,920	315,773
Other financial instruments at fair value	814,853	669,061
Financial investments	9,022,356	9,978,352
Accrued income and prepaid expenses	133,611	136,963
Non-consolidated participations	2,986	9,069
Tangible fixed assets	266,688	260,636
Intangible assets	319,597	347,791
included goodwill	319,597	347,791
Other assets	41,398	31,305
Total assets	**31,116,049**	**32,036,365**

(in CHF thousands)	Based on close of accounts and relating to the consolidated Group	
	30.06.2018	31.12.2017
Liabilities		
Due to banks	568,626	541,959
Liabilities from securities financing transactions	4,575,387	5,938,741
Due in respect of client deposits	22,160,041	21,835,427
Liabilities from trading portfolios		3
Negative replacement values of derivative financial instruments	261,964	284,186
Liabilities from other financial instruments at fair value	897,295	722,215
Accrued expenses and deferred income	310,156	375,139
Other liabilities	97,941	74,609
Provisions	29,117	28,819
Total liabilities	**28,900,527**	**29,801,098**
Capital		
Reserves for general banking risks	215,375	215,375
Share capital	300,000	300,000
of which, recognised as CET1	300,000	300,000
Legal reserves / profits carried forward / financial year profit	1,700,147	1,719,892
Total capital	**2,215,522**	**2,235,267**

Table 2: Presentation of eligible regulatory capital

(in CHF thousands)	30.06.2018	31.12.2017
Common equity (CET1)		
Issued and paid-in capital, fully eligible	300,000	300,000
Retained earnings reserves, including reserves for general banking risks/profit (loss) carry forwards and profit (loss) for the period	932,925	932,931
Capital reserves	867,336	867,336
= Common Equity Tier 1 capital before regulatory adjustments	**2,100,261**	**2,100,267**
CET1: regulatory adjustments		
Goodwill (net of related tax liability)	(319,597)	(347,791)
Qualified participations where a controlling influence is exercised together with other owners (CET1 instruments)	(2,825)	(2,954)
Participations to be consolidated (CET1 instruments)	(363)	(6,648)
= Total regulatory adjustments to CETOne	**(322,785)**	**(357,393)**
= Common Equity Tier 1 capital (net CET1)	**1,777,476**	**1,742,874**
Tier 2 capital (T2)		
Valuation adjustments; provisions and depreciation for prudential reasons; compulsory reserves on financial investments	4,000	4,000
= Tier 2 capital before regulatory adjustments	**4,000**	**4,000**
= Tier 2 capital (net T2)	**4,000**	**4,000**
= Regulatory capital (net T1 & T2)	**1,781,476**	**1,746,874**
Total risk-weighted assets	**6,323,517**	**6,347,375**
Capital ratios		
CET1 ratio (as a percentage of risk-weighted assets)	28.1%	27.5%
T1 ratio (as a percentage of risk weighted assets)	28.1%	27.5%
Regulatory capital ratio (as a percentage of risk weighted assets)	28.2%	27.5%
CET1 requirements in accordance with CAO transitional arrangements (minimum requirements + capital buffer + countercyclical buffer) plus the capital buffer for systemically important institutions in accordance with the Basel requirements (as a percentage of risk-weighted assets)	6.4%	5.8%
of which, capital buffer in accordance with CAO (as a percentage of risk-weighted assets)	1.9%	1.3%
of which, countercyclical buffer in (as a percentage of risk-weighted assets)	0.02%	0.02%
CET1 available to meet minimum and buffer requirements, after deduction of the AT1 and T2 requirements met by CET1 (as a percentage of risk-weighted assets)	24.7%	24.0%
CET1 target in accordance with FINMA Circular 11/2 plus the countercyclical buffer (as a percentage of risk-weighted assets)	7.8%	7.8%
CET1 available (as a percentage of risk-weighted assets)	24.0%	23.3%
T1 target in accordance with FINMA Circular 11/2 plus the countercyclical buffer (as a percentage of risk-weighted assets)	9.6%	9.6%
T1 available (as a percentage of risk-weighted assets)	25.8%	25.1%
Target for regulatory capital ratio in accordance with FINMA Circular 11/2 plus the countercyclical buffer (as a percentage of risk-weighted assets)	12.0%	12.0%
Regulatory capital available (as a percentage of risk-weighted assets)	28.2%	27.5%

Table 3: Bank risk management approach

Global risk management – General principles

The risk management mandate defined by the Board of Directors and the Executive Committee is set out in internal directives and procedures. The aim is to ensure that risks associated with the Group's activities are identified, assessed and managed, for the benefit of both clients and shareholders. The Group therefore places great importance on having high-quality human resources and IT systems and infrastructure, and promotes an internal risk management culture. This integrated, rigorous approach ensures a reliable risk management process.

The process is based on comprehensive and detailed guidelines and effective information management systems for monitoring, controlling and reporting all significant risks. To ensure that risk is taken in a cautious, measured way in keeping with our commercial strategy, we apply a risk management framework when planning and conducting our business activities. In terms of organisational structure, the Group has three levels of risk management/risk controlling responsibilities:

- Overall strategic guidance and supervision, performed by the Committee of the Board of Directors, which is responsible for determining general risk policy and risk management strategy (risk vision, risk appetite and risk control standards);
- Management and operational supervision by the Executive Committee and the Risk Committee (formulation and implementation of risk management strategies);
- Risk control, primarily by the independent Group Risk Management unit, as well as the Compliance Desk and the Credit Risk Department.

Risk monitoring is carried out in the Group's various business divisions – Treasury & Trading, Private Banking, and Asset Management – as follows:

- Independent risk oversight, risk alert systems and crisis scenarios;
- Governance and risk vision;
- "Daily Risk Snapshot" – identification, measurement and reporting of market, liquidity, credit and operational risk – for members of the Risk Committee;
- Private Banking & Asset Management investment process control, performance measurement/portfolio analytics assessment, and operational risk assessment;
- Risk management system selection/design and maintenance;
- Risk measurement relating to derivatives/structured products and new products and activities being developed.

Table 8: Credit risk – general information

Credit risk

Credit risk concerns the risk of loss should a counterparty fail to honour its contractual obligations to repay a loan or fulfil any other predetermined financial obligation.

The Group has a clearly defined system for managing counterparty, settlement and country risk, based on various directives and procedures.

Credit risks concerning individual clients

In principle, loans granted to private banking clients are secured by pledged collateral (Lombard loans). Credit risks include current account loans and advances, and risks arising from guarantees and transactions on derivatives, on forex, on securities, and on any other financial instruments.

The pledged portfolios are appraised individually by the Credit Risk Control unit and a loan rate assigned to each position, based on the type of instrument, its credit rating where applicable and its liquidity, together with the diversification of the investments. The assets are valued daily at the spot price. Supervision and daily management of loan rates are based on predefined safety thresholds (additional margin calls and realisation of pledged assets).

The Group's wealth and estate planning business may entail granting mortgages or loans that are partially or fully secured on pledged real estate. This type of loan is granted only on the basis of appraisal of the pledged property by an independent appraiser and the fixing of an adequate loan rate.

It is not the Group's policy to grant commercial loans.

In light of the margins applied to Lombard loans and the safety thresholds in place, there is little risk of default in this credit category. In respect of unsecured loans and those secured by less liquid assets, a loan shall be considered non-performing when a due date (for payment of interest and/or all or part of the principal) is exceeded by more than 90 days. If the borrower seems unlikely to be able to meet its commitments, the loan becomes a doubtful loan. In such an event, special provisions shall be set aside on a case-by-case basis, as determined by Executive Management and/or the Credit Committee and taking into account a detailed appraisal of any pledged assets. The interest shall be considered at risk when the credit limit granted is exceeded for longer than 90 days. As of that time, the interest is no longer credited to the statement of income.

Credit risks concerning professional counterparties and country risk

Exposure to professional counterparty risk is assumed only with counterparties that have very high credit ratings. Risk is limited by the use of an adequate, flexible system of limits adapted to each category of product and counterparty and to the settlement period. Operational limits on counterparty credit risk exposure are based on a dynamic model using CDS spreads and ratings.

For all our products, the Group's exposure to country risk is calculated on the basis of the credit-rating equivalent. Levels of provisioning for specific country risk exposure reflect ratings by Moody's, Standard & Poor's and Fitch.

The ongoing monitoring and controlling of counterparty and country risk for market and Treasury activities is managed centrally using a real-time system.

Table 9: Credit risk – credit quality of assets

(in CHF thousands)	Gross carrying values of		Value adjustments/ impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
Loans (excluding debt securities)	18,428	11,467,847	4,319	11,481,956
Debt securities		8,373,249		8,373,249
Off-balance-sheet exposures		837,759		837,759
Total as at 30.06.2018	**18,428**	**20,678,855**	**4,319**	**20,692,964**

Table 10: Credit risk – changes in stock of defaulted loans and debt securities

(in CHF thousands)	30.06.2018	31.12.2017
Defaulted loans and debt securities	38,463	42,419
Loans and debt securities that have defaulted	386	9,609
Returned to non-defaulted status	(20,421)	(11,655)
Amounts written off	-	(2,000)
Other changes (+/-)	-	90
Defaulted loans and debt securities	**18,428**	**38,463**

Table 13: Credit risk – overview of mitigation techniques

(in CHF thousands)	Exposures unsecured/ carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
Loans (excluding debt securities)	259,260	8,493,600	8,493,600				
Debt securities	8,373,249						
Off-balance-sheet transactions		837,759	837,759				
Total as at 30.06.2018	**8,632,509**	**9,331,359**	**9,331,359**	**-**	**-**	**-**	**-**

Unsecured client loans include CHF 70 million in loans granted to Swiss public entities (Canton, City).

Table 14: Credit risk – qualitative disclosures of the Bank's use of external credit ratings under the standardised approach

The Bank uses external credit assessments for calculating the risk weighting of nearly all the counterparties to which it applies the international standardised approach and that have been rated by Standard & Poor's and/or Moody's. These are mainly large companies and bonds in the financial investment portfolio. For companies that have no external credit rating, the weighting is set at 100% (unrated classes).

Table 15: Credit risk – exposure and credit risk mitigation (CRM) effects under the standardised approach

(in CHF thousands)

	Exposures before CCF and CRM		Exposures after CCF and CRM			
Exposure class	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Central governments and central banks	3,445,692		3,445,692		36,188	1.1%
Banks and securities firms	4,921,553	7,366	4,140,812	1,579	1,087,101	26.2%
Other public sector entities and multilateral development banks	1,069,916	1,159	1,066,420		57,262	5.4%
Corporates	6,299,281	371,402	2,883,165	40,748	1,739,873	59.5%
Retail	5,497,448	457,831	1,676,531	47,361	1,118,295	64.9%
Equity	2,992		2,992		4,488	150.0%
Other exposures	7,562,422		7,562,422		272,612	3.6%
Total as at 30.06.2018	**28,799,304**	**837,758**	**20,778,034**	**89,688**	**4,315,819**	**20.7%**

Table 16: Credit risk – exposures by exposure category and risk weights under the standardised approach

(in CHF thousands)

Exposure class/ risk weight	0%	10%	20%	35%	50%	75%	100%	150%	Other	Total credit exposures amount (post-CCF and post-CRM)
Central governments and central banks	3,344,380		48,228		53,084					3,445,692
Banks and securities firms			3,395,066		565,370		777	9,012		3,970,225
Non-central government public sector entities and multilateral development banks	795,002		261,488		9,930					1,066,420
Corporates			791,241	311,879	700,923	6,109	1,038,838	6,855		2,855,845
Retail			1,027	858,212	46,577	105,569	713,149			1,724,534
Equity								2,992		2,992
Other exposures	7,289,810									7,289,810
Total as at 30.06.2018	**11,429,192**	**-**	**4,497,050**	**1,170,091**	**1,375,884**	**111,678**	**1,752,764**	**18,859**	**-**	**20,355,518**
of which, covered by mortgages				1,170,091		37,496	344,247			1,551,834
of which, past-due loans				3,685		634				4,319

Table 23: Counterparty credit risk – qualitative disclosure

For OTC derivatives transactions, credit and counterparty risks are managed and related risk limits monitored by applying the market-value method, using regulatory add-on factors; for such transactions, corresponding bilateral agreements (ISDA, CSAs with daily margining) are in place with the counterparties. Risk is limited by the use of an adequate, flexible system of limits adapted to each category of product and counterparty and to the settlement period. Operational limits on counterparty credit risk exposure is based on a dynamic model using CDS spreads and ratings – a matrix approach combining the least favourable 5-year CDS spreads and the counterparty's LT rating and comparing them to the counterparty's capital, with the limit fluctuating according to corresponding CDS spread movements. The Bank uses the standardised approach to calculate capital requirements to cover counterparty credit exposures.

Table 24: Counterparty credit risk – analysis by approach

(in CHF thousands)	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD after CRM	RWA
SA-CCR (for derivatives)	209,611	176,534			286,460	93,432
IMM (for derivatives and SFTs)						
Simple approach for risk mitigation (for SFTs)						
Comprehensive approach for risk mitigation (for SFTs)					189,284	52,775
VaR for SFTs						
Total as at 30.06.2018	**209,611**	**176,534**	**-**		**475,744**	**146,207**

Table 25: Counterparty credit risk – credit valuation adjustment (CVA) capital charge

(in CHF thousands)	EAD after CRM	RWA
Total portfolios subject to the Advanced CVA capital charge		
VaR component (including the 3×multiplier)		
Stressed VaR component (including the 3×multiplier)		
Total subject to the standardised CVA capital charge	289'539	67'706
Total as at 30.06.2018	**289'539**	**67'706**

Table 26: Counterparty credit risk – standardised approach to CCR exposures by exposure category and risk weights

(in CHF thousands) **Exposure category/risk weight**	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure
Central governments and central banks									-
Banks and securities firms			103,929	94,745					198,674
Other public sector entities and multilateral development banks									-
Corporates			14	1,964		85,807			87,785
Retail									-
Equity									-
Other exposures									
Total as at 30.06.2018	**-**	**-**	**103,943**	**96,709**	**-**	**85,807**	**-**	**-**	**286,459**

Table 28: Counterparty credit risk – composition of collateral for CCR exposure

(in CHF thousands)	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated (1)	Unsegregated	Segregated (1)	Unsegregated		
Cash – CHF	19,570		57,917			
Cash – other currencies	82,201		118,952			
Swiss Confederation sovereign debt						
Other sovereign debt			164,386		101,387	1,732,947
Government agency debt					53,694	35,199
Corporate bonds					743,090	2,937,983
Equity securities						
Other collateral						
Total as at 30.06.2018	**101,771**	**-**	**341,255**	**-**	**898,171**	**4,706,129**

Table 29: Counterparty credit risk – credit derivatives exposures

(in CHF thousands)	Protection bought	Protection sold
Notionals		
Single-name CDSs		
Index CDSs		
Total return swaps		
Credit options		
Other credit derivatives		
Total	**-**	**-**
Fair value		
Positive replacement value (asset)		
Negative replacement value (liability)		

Table 31: Counterparty credit risk – exposures to central counterparties

(in CHF thousands)	EAD (after CRM)	RWA
Exposures to QCCPs (total)		**90**
Exposures for trades at QCCPs (excluding initial margin and default fund contributions)		
of which, OTC derivatives	4,519	90
of which, exchange-traded derivatives		
of which, SFTs		
of which, netting sets where cross-product netting has been approved		
Segregated initial margin	46,373	
Non-segregated initial margin		
Pre-funded default fund contributions		
Unfunded default fund contributions		
Total exposures to non-QCCPs		**1,602**
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions)	4,842	1,602
of which, OTC derivatives	4,842	1,602
of which, exchange-traded derivatives		
of which, SFTs		
of which, netting sets where cross-prod-uct netting has been approved		
Segregated initial margin		
Non-segregated initial margin		
Pre-funded default fund contributions		
Unfunded default fund contributions		

Table 32: Securitisations – qualitative disclosure requirements related to securitisation exposures

The Group has no internal securitisation activity, but it has exposures resulting from third-party securitisations in its banking book. Those securitisations are limited to collateralised mortgage obligations invested either in Swiss prime residential mortgages with an AAA rating, or in US prime residential mortgages explicitly guaranteed by the government through its Ginnie Mae agency with an AAA rating.

Table 33: Securitisations – exposures in the banking book

(in CHF thousands)	Bank acts as originator			Bank acts as sponsor			Banks acts as investor		
	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
Retail (total) – of which							181,825		181,825
residential mortgage							181,825		181,825
credit card									
other retail exposures									
re-securitisation									
Wholesale (total) – of which									
loans to corporates									
commercial mortgages									
lease and receivables									
other wholesale									
re-securitisation									

Market risk

Market risks arising through the Group's treasury and trading activities are managed within the framework defined in the internal "Market Risk Manual", and according to a system of integrated limits, established at various levels and consisting of the following:

- Position limits (market value / intraday valuation);
- Sensitivity limits (duration, delta, gamma, vega);
- Value at risk (VaR);
- Maximum loss (stop losses); and
- Primary market exposure, issuer and country limits.

That management is supplemented by stress scenario simulations, risk-adjusted performance measurement (RAPM) and VaR backtesting.

Daily consolidated reports regarding market risk exposure, stress VaR, and RAPM are generated by Group Risk Management for the Risk Committee and the departments concerned, as well as the Bank's management bodies.

In addition, a consolidated stress-scenario analysis is carried out, and submitted to the Committee of the Board of Directors, the Executive Committee, the Risk Committee, and to the departments concerned. This analysis is based on full revaluation (for linear and non-linear positions) and covers the worst historical events and the resulting liquidity situations (e.g. 1987 equity crash, 1992 ERM crisis, 1994 bond-market crisis, 2008 crisis), as defined in the stress-scenario manual for market risk.

The Bank uses the standardised approach to assess the capital required to hedge market risk in the trading book.

As regards asset-liability management (ALM), the Bank uses a centralised approach based on three levels:

1) The Committee of the Board of Directors and the Executive Committee;
2) The Asset & Liability Committee (ALCO); and
3) The Treasury Desk.

The ALCO is in charge of final ALM decision-making within the policy and framework established by the Committee of the Board of Directors and the Executive Committee, and meets once a month or more frequently if necessary. The role of the ALCO is mainly strategic, taking a medium- to long-term view of the Bank's overall risk position, whilst the Treasury Desk focuses on day-to-day ALM.

ALM is conducted in compliance with the framework, directives and procedures set down in the internal "ALM Risk Policy & Procedures Manual" and "Liquidity Risk Manual", and according to the following system of integrated limits:

- "High-crisis stress scenario" liquidity;
- Value and income effects arising from sensitivity to interest-rate shifts (+/-100bp);
- Value at risk (VaR);
- Maximum loss (stop losses); and
- Issuer and counterparty risk exposure.

These limits are supplemented by monthly ALM stress scenario analyses and impact simulations on net interest income (e.g. through shifts in the interest rate of +/-100bp, +/-200bp, or modelled on the global tightening of 1994). Specific reports regarding market risk exposure are generated daily, and monthly on a consolidated basis. Group Risk Management generates specific daily and consolidated monthly reports regarding interest rate risk on the balance sheet (ALM) and stress liquidity risk exposure for analysis and decision-making by the Group's top management. A consolidated ALM risk and stress liquidity risk report is submitted to the Board of Directors, the Executive Committee, the Risk Committee and the departments concerned each month.

Table 39: Market risk – minimum capital requirements under standardised approach

(in CHF thousands)	RWA 30.06.2018	RWA 31.12.2017
Outright products		
Interest-rate risk (general and specific)	130,063	132,238
Equity risk (general and specific)	41,461	48,131
Foreign exchange risk	43,152	29,483
Commodity risk	9,244	10,525
Options		
Simplified approach		
Delta-plus method	17,913	5,813
Scenario approach		
Total	**241,833**	**226,190**

Table 45: Presentation of material features of regulatory capital instruments

As at 30 June 2018	Share capital
Issuer	UNION BANCAIRE PRIVÉE, UBP SA
Unique identifier (e.g. ISIN)	n/a
Governing law of the instrument	Swiss law

Regulatory treatment	
Under transitional Basel III rules	CET1
Under post-transitional Basel III rules	CET1
Eligible at single-entity, group/single-entity and group levels	Single-entity and group
Equity securities/debt securities/hybrid instruments/other instruments	Equity securities
Amount recognised in regulatory capital (as per most recent capital adequacy report)	CHF 300 million
Par value of instrument	CHF 300 million
Accounting classification	Share capital
Original date of issuance	3 July 1956
Perpetual or dated	Perpetual
Original maturity date	n/a
Issuer call (subject to prior approval from supervisory authority)	None
Optional call date/contingent call dates/redemption amount	n/a
Subsequent call dates, if applicable	n/a

Coupons/dividends	
Fixed/floating rate/initially fixed and subsequently floating rate/initially floating rate and subsequently fixed	n/a
Coupon rate and any related index	n/a
Existence of a dividend stopper	n/a
Coupon payment/dividends: fully discretionary/partially discretionary/mandatory	Discretionary dividends
Existence of step up or other incentive to redeem	None
Non-cumulative or cumulative	Non-cumulative
Convertible or non-convertible	n/a
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Unsecured creditors
Features that prevent full recognition under Basel III	None

Table 46: Leverage ratio – comparison of accounting assets versus leverage ratio exposure measure

(in CHF thousands)

	30.06.2018	31.12.2017
Total assets as per published financial statements	31,116,049	32,036,365
Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation (margin nos. 6 and 7 FINMA Circ. 15/3), as well as adjustment for assets deducted from Tier 1 capital (margin nos. 16 and 17 FINMA Circ. 15/3)	(322,785)	(357,393)
Adjustment for derivative financial instruments (margin nos. 21–51 FINMA Circ. 15/3).	305,852	317,368
Adjustment for off-balance-sheet items (i.e. conversion to credit equivalent amounts of off-balance-sheet exposures) (margin nos. 74–76 FINMA Circ. 15/3)	398,508	308,519
Other adjustments	-	-
Total leverage ratio exposure	**31,497,624**	**32,304,859**

Table 47: Leverage ratio – detailed presentation

(in CHF thousands)	30.06.2018	31.12.2017
On-balance-sheet exposures		
On-balance sheet items (excluding derivatives and SFTs, but including collateral) (margin nos. 14 and 15 FINMA Circ. 15/3)	29,910,597	31,428,047
(Assets that must be deducted in determining the eligible Tier 1 capital) (margin nos. 7, 16, and 17 FINMA Circ. 15/3)	(322,785)	(357,393)
Total on-balance sheet exposures within the leverage ratio framework (excluding derivatives and SFTs)	**29,587,812**	**31,070,654**
Derivatives		
Replacement values associated with all derivatives transactions, including those with CCPs, taking into account the margin payments received and netting agreements in accordance with margin nos. 22, 23, 34, and 35 FINMA Circ. 15/3	255,663	218,274
Add-on amounts for PFE associated with all derivatives transactions (margin nos. 22 and 25 FINMA Circ. 15/3)	422,109	414,866
Total derivative exposures	**677,772**	**633,140**
Securities financing transaction (SFT) exposures		
Gross SFT assets with no recognition of netting (except in the case of novation with a QCCP as per margin no. 57 FINMA Circ. 15/3) including sale accounting transactions (margin no. 69 FINMA Circ. 15/3), less the items specified in margin no. 58 FINMA Circ. 15/3)	833,531	292,545
Total securities financing transaction exposures	**833,531**	**292,545**
Other off-balance-sheet exposures		
Off-balance-sheet exposure at gross national amounts before application of credit conversion factors.	837,759	741,605
(Adjustments for conversion to credit equivalent amounts) (Margin nos. 75 and 76 FINMA Circ. 15/3)	(439,250)	(433,086)
Total off-balance-sheet items	**398,509**	**308,519**
Eligible capital and total exposures.		
Tier 1 capital (margin no. 5 FINMA Circ. 15/3)	1,777,476	1,742,874
Total exposures	31,497,624	32,304,858
Leverage ratio		
Leverage ratio (margin nos. 3 and 4 FINMA Circ. 15/3)	5.6%	5.4%

Table 48: Short-term liquidity coverage ratio

(in CHF thousands)	1st quarter 2018		2nd quarter 2018	
	Unweighted values	Risk-weighted values	Unweighted values	Risk-weighted values
High-quality liquid assets (HQLAs)				
Total HQLAs	**10,781**	**10,480**	**10,779**	**10,488**
Cash outflows				
Retail deposits	12,643	1,851	13,820	1,939
of which, stable deposits				
of which, less stable deposits	12,643	1,851	13,820	1,939
Unsecured corporate and wholesale funding	9,995	4,366	9,959	4,227
of which, non-operational deposits	9,986	4,357	9,950	4,218
of which, unsecured debt issuance	9	9	9	9
Secured corporate and wholesale funding and collateral swaps	4,874	224	4,299	244
Other cash outflows	568	388	528	305
of which, those relating to derivatives and other transactions	314	314	197	197
of which, those relating to committed credit and liquidity facilities	254	74	331	108
Other contractual funding obligations	5	5	9	9
Other contingent funding commitments	482	24	478	24
Total cash outflows		**6,858**		**6,748**
Cash inflows				
Secured financing transactions	78	78		
Cash inflows from non-impaired receivables	5,816	2,855	5,721	2,806
Other cash inflows	309	309	282	282
Total cash inflows	**6,203**	**3,242**	**6,003**	**3,088**
Total high-quality liquid assets (HQLAs)		**10,480**		**10,488**
Net cash outflows		**3,616**		**3,660**
Short-term liquidity coverage ratio		**289.8%**		**286.6%**

Capital, liquidity coverage, and leverage ratios
Parent bank

In application of FINMA circular 2016/1, below are some regulatory ratios for the parent bank (non-consolidated).

Capital ratio

(in CHF thousands)

	30.06.2018	31.12.2017
Minimum capital based on risk-weighted asset requirements	480,490	484,930
Eligible capital	1,059,122	1,027,708
of which, Common Equity Tier 1 (CET1)	779,749	748,335
of which, core capital (T1)	1,055,122	1,023,708
Risk-weighted assets (RWA)	6,006,131	6,061,622
CET1 ratio (as % of RWA)	13.0%	12.3%
T1 ratio (as % of RWA)	17.6%	16.9%
Total capital ratio (as % of RWA)	17.6%	17.0%
Countercyclical capital buffer (as % of RWA)	0.03%	0.02%
Target CET1 ratio (in %) as per appendix 8 of the CAO, plus countercyclical buffer	7.8%	7.8%
Target T1 ratio (in %) as per appendix 8 of the CAO, plus countercyclical buffer	9.6%	9.6%
Total capital ratio target (in %) as per appendix 8 of the CAO, plus countercyclical buffer	12.0%	12.0%

Leverage ratio according to Basel III

(in CHF millions)

Leverage ratio (Basel III) (margin numbers 3 and 4, FINMA Circ. 15/3)	3.4%	3.2%
Total commitments	31,373	32,035

Liquidity coverage ratio (LCR)

(in CHF millions)

Liquidity coverage ratio (LCR) (in %), 2nd quarter	236.4%	236.5%
LCR numerator: sum of high-quality liquid assets	10,356	12,168
LCR denominator: net sum of cash outflows	4,380	5,145
Liquidity coverage ratio (LCR) (in %), 1st quarter	243.8%	239.8%
LCR numerator: sum of high-quality liquid assets	10,283	13,103
LCR denominator: net sum of cash outflows	4,217	5,464

September 2018

Union Bancaire Privée