Basel III - Pillar 3
Market Discipline
30 June 2019
Report

Union Bancaire Privée

Purpose and scope of this report

Publication principles

The purpose of this document is to offer the public in-depth information about how Union Bancaire Privée, UBP SA (hereinafter the "Group" or the "Bank") manages risk, including its capital adequacy and its risk management mechanisms.

This document has been drafted in compliance with the publication requirements set out in the Swiss Financial Market Supervisory Authority's (FINMA) Circular 2016/1 on banks' disclosures.

The report is published bi-annually within two months following the mid-year reporting and maximum four months after the annual report. It is available on the Group's website (www.ubp.com).

The data provided in this report relates to the Group's mid-year accounts closed on 30 June 2019.

KM1 Table
Key regulatory figures

(in CHF thousands)		30.06.2019	31.12.2018	30.06.2018	31.12.2017
	Eligible capital				
1	Common equity (CET1)	1,849,748	1,840,187	1,777,476	1,742,874
2	Common equity (T1)	1,849,748	1,840,187	1,777,476	1,742,874
3	Total shareholders' equity	1,853,748	1,844,187	1,781,476	1,746,874
	Risk-weighted assets (RWA)				
4	RWA	7,098,071	6,935,664	6,323,517	6,347,375
4a	**Minimum capital requirement**	567,846	554,853	505,881	507,790
	Shareholders' equity ratios based on risk (as a % of RWA)				
5	CET1 ratio	26.1%	26.5%	28.1%	27.5%
6	T1 ratio	26.1%	26.5%	28.1%	27.5%
7	Overall common equity ratio	26.1%	26.6%	28.2%	27.5%
	CET1 buffer requirements (as a % of RWA)				
8	Capital buffer in accordance with Basel requirements	2.5%	1.9%	1.9%	1.3%
11	Overall buffer requirements in accordance with Basel requirements as CET1	2.5%	1.9%	1.9%	1.3%
12	**Available CET1 to cover buffer requirements in accordance with Basel requirements (after deduction of CET1 assigned for covering minimum requirements and, where applicable, TLAC requirements)**	18.1%	18.6%	20.2%	19.5%

(in CHF thousands)		30.06.2019	31.12.2018	30.06.2018	31.12.2017
	Capital ratio target as per appendix 8 of the CAO (as a % of RWA)				
12a	Capital buffer as per appendix 8 of the CAO	4.0%	4.0%	4.0%	4.0%
12b	Countercyclical buffers (Art. 44 & 44a of the CAO)	0.021%	0.023%	0.025%	0.021%
12c	Target CET1 ratio as per appendix 8 of the CAO, plus countercyclical buffers as per Art. 44 & 44a of the CAO	7.8%	7.8%	7.8%	7.8%
12d	Target T1 ratio as per appendix 8 of the CAO, plus countercyclical buffers as per Art. 44 & 44a of the CAO	9.6%	9.6%	9.6%	9.6%
12e	Total target capital ratio as per appendix 8 of the CAO, plus countercyclical buffers as per Art. 44 & 44a of the CAO	12.0%	12.0%	12.0%	12.0%
	Leverage ratio according to Basel III				
13	Total commitments	32,741,570	33,145,025	31,497,624	32,304,858
14	Basel III leverage ratio (common equity as a % of total commitments)	5.6%	5.6%	5.6%	5.4%
	Liquidity coverage ratio (LCR)				
15	LCR numerator: sum of high-quality liquid assets	12,488,389	10,960,460	10,487,936	11,574,984
16	LCR denominator: net sum of cash outflows	4,202,083	3,645,044	3,659,714	4,357,782
17	Liquidity coverage ratio (LCR)	297.2%	300.7%	286.6%	265.6%

OV1 Table
Overview of risk-weighted assets

(in CHF thousands)		RWA 30.06.2019	RWA 31.12.2018	Minimum shareholders' equity as at 30.06.2019
1	**Credit risk – excluding credit counterparty risk**	**4,237,742**	**4,243,677**	**339,019**
2	of which, standardised approach (SA)	4,237,742	4,243,677	339,019
6	**Counterparty credit risk**	**652,182**	**506,831**	**52,175**
7b	of which, standardised approach (SA)	652,182	506,831	52,175
13	**Investments in collective investment vehicles – mandate-based approach**	**306,967**	**317,489**	**24,557**
15	**Settlement risk**	**242**	**227**	**19**
20	**Market risk**	**175,407**	**187,995**	**14,033**
21	of which, standardised approach (SA)	175,407	187,995	14,033
24	**Operating risk**	**1,725,531**	**1,679,445**	**138,042**
27	**Total**	**7,098,071**	**6,935,664**	**567,846**

LIQ1 Table
Liquidity coverage ratios

	(in CHF millions)	Q2 2019		Q1 2019	
		Unweighted values	Risk-weighted values	Unweighted values	Risk-weighted values
A	**High-quality liquid assets (HQLAs)**				
1	**Total HQLAs**		**12,488**		**11,986**
B	**Cash outflows**				
2	Retail deposits	16,401	2,190	15,867	2,103
3	of which, stable deposits				
4	of which, less stable deposits	16,401	2,190	15,867	2,103
5	Unsecured corporate and wholesale funding	9,804	4,671	9,828	4,703
7	of which, non-operational deposits	9,795	4,662	9,819	4,694
8	of which, unsecured debt issuance	9	9	9	9
9	Secured corporate and wholesale funding and collateral swaps	2,034	15	2,655	34
10	Other cash outflows	551	234	423	178
11	of which, those relating to derivatives and other transactions	121	121	77	77
13	of which, those relating to committed credit and liquidity facilities	430	113	346	101
14	Other contractual funding obligations	19	19	13	13
15	Other contingent funding commitments	388	20	397	20
16	**Total cash outflows**		**7,149**		**7,051**
C	**Cash inflows**				
17	Secured financing transactions			114	114
18	Cash inflows from non-impaired receivables	5,995	2,845	6,436	3,028
19	Other cash inflows	102	102	128	128
20	**Total cash inflows**	**6,097**	**2,947**	**6,678**	**3,270**
21	**Total HQLAs**		**12,488**		**11,986**
22	**Net cash outflows**		**4,202**		**3,781**
23	**Short-term liquidity coverage ratio**		**297.2%**		**317.0%**

Table IRRBBA
Interest rate risk: Objectives and standards for managing interest rate risk in the banking book

The Interest Rate Risk in the Banking Book (IRRBB) is the risk to the Bank's capital and to its earnings arising from changes in interest rates. The banking book is composed of all client-related and the Bank's own positions which are not subject to its short-term trading activity.

The organisation and supervision of interest rate risk management is explained in the section on market risk. The Asset & Liability Committee (ALCO) is the centralised decision-making body in charge of asset liability management (ALM). Meeting monthly, it is responsible for managing and monitoring interest rate and liquidity risk through planning the balance sheet structure, ensuring that sensitivity limits set by senior management are adhered to, and ensuring that the Bank meets regulatory and supervisory requirements.

The Bank's IRRBB limit structure is composed of a limit on changes in the economic value of equity (EVE) and of a limit on changes in net interest income (NII). These limits are subordinated to the overall liquidity risk limit defined for the Bank, which caps the maximum ALCO investment portfolio and loan book activity exposures, based on the existing run-off assumptions for retail deposits and asset class classification.

The Bank monitors the limits and submits reports to the ALCO and to senior management every month. The balance sheet is allocated in terms of future cash flows in order to analyse the timing of potential funding gaps. This is completed with an economic value stress test that excludes any replication of non-maturing positions and of capital. Several economic value stress tests from various interest rate curve shifts are also provided.

The sensitivity of EVE and of NII to changes in interest rates is measured by applying a 1% upward parallel shock to all interest rate curves. For economic value calculations, future cash flows are discounted using overnight indexed swap (OIS) interest rates. Cash flows from interest-yielding positions include spread margin payments. NII calculations are made over a forward-looking period of 12 months with the assumption that the balance sheet will remain constant.

For EVE and NII, the maturity assumptions on client deposits at sight are: 85% due within 1 day, 10% due with a maturity of 5 years and the rest with a maturity of 10 years. For the Bank's capital, the maturity assumption is 5 years. For NII, interest rate charges are assumed for client deposits at sight in low-yielding currencies.

The Bank uses interest rate swaps to reduce interest rate risks.

IRRBBA1 table
Interest rate risk: Quantitative information on the exposure's structure and interest rate fixing date

	Volume in CHF million			Average interest rate reset period (in years)		Maximum interest rate reset period (in years) for exposures with modelled (not determined) interest rate reset dates	
	Total	Of which in CHF	Of which other significant currencies that make up more than 10% of assets or liabilities of total assets	Total	Of which in CHF	Total	Of which in CHF
Defined interest rate reset date							
Due from banks	343		335	0.23			
Due from clients	7,978	1,096	4,756	0.16	0.25		
Money market mortgages	1,492	161	426	0.20	0.22		
Fixed-rate mortgages	196	52	144	0.16	0.43		
Financial investments	7,397	972	5,730	3.20	2.63		
Other assets							
Assets from interest-rate derivatives	38,822	9,708	26,811	0.32	1.15		
Due to banks	(3,060)		(2,979)	0.08			
Due in respect of client deposits	(8,405)	(2)	(7,435)	0.10	0.07		
Other liabilities							
Liabilities from interest-rate derivatives	(39,087)	(17,850)	(18,467)	0.87	1.17		

Interest rate and currency swap transactions are composed of both assets and liabilities. The assets are reported under "Assets from interest-rate derivatives" and the liabilities under "Liabilities from interest-rate derivatives".

	Volume in CHF million			Average interest rate reset period (in years)		Maximum interest rate reset period (in years) for exposures with modelled (not determined) interest rate reset dates	
	Total	Of which in CHF	Of which other significant currencies that make up more than 10% of assets or liabilities of total assets	Total	Of which in CHF	Total	Of which in CHF
Undefined interest rate reset dates							
Due from banks	853	128	559	0.03	0.06		
Due from clients	966	40	435				
Floating-rate mortgages							
Other assets on demand (at sight)							
Liabilities on demand (at sight) from personal and current accounts	(14,435)	(2,005)	(10,454)	0.51	0.51		
Other liabilities on demand (at sight)	(825)	(175)	(404)	0.02	0.04		
Liabilities from client deposits, terminable but not transferable (savings)				0.08			
Total	**(7,765)**	**(7,875)**	**(543)**	**0.60**	**0.94**		
Positions without interest rate reset dates							
Deposits with central banks	9,054	8,886	168				
Other assets	673	349	325				
Other liabilities	253	207	46				
Total	**2,215**	**1,567**	**(5)**				

Table IRRBB1:
Interest rate risk: quantitative information on the exposure's net present value and interest rate income

(in CHF millions)	EVE (changes in the net present value) 30.06.2019	NII (changes in the discounted earnings value) 30.06.2019
Parallel shift up	90	25
Parallel shift down	(109)	(111)
Steepener shock	62	
Flattener shock	(45)	
Rise in short-term interest rates	(12)	
Fall in short-term interest rates	12	
Maximum	(109)	(111)

Period	30.06.2019	
Tier 1 capital	1,854	

The six interest rate scenarios are imposed by FINMA Circular 2019/2 "Interest rate risk – Banks". Values are calculated according to FINMA Circular 2016/1 "Disclosure – banks".

Interest-rate risk in the banking book is influenced mainly by the investment book and by clients' current account balances. Due to its large clients' current account balances in USD, the Bank is exposed to USD interest rates, which impacts potential net interest income (NII) fluctuations. NII projections are made assuming that the structure of the balance sheet will remain the same.

For the economic value of equity (EVE) and NII, the maturity assumptions on client deposits at sight are: 85% due within 1 day, 10% due with a maturity of 5 years and the rest with a maturity of 10 years. For the Bank's capital, the maturity assumption is 5 years. For NII, interest rate charges are assumed for client deposits at sight in low-yielding currencies.

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