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UBS Limited
Pillar 3 Disclosures

April 2011

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1. Introduction

UBS Limited ("UBSL") is a credit institution incorporated in Great Britain and authorised and regulated by the Financial Services Authority ("FSA"). The requirements of the Basel II regulatory capital framework (hereinafter referred to as "Basel II") came into effect in 2008 and have been implemented in the European Union through the Capital Requirements Directive. These requirements apply across three "Pillars" and UBSL is required to comply with these requirements under the FSA's prudential rules. The three Pillars are:-

Pillar1: which articulates the methodologies mandated to determine minimum capital requirements

Pillar 2: which deals with a firm's internal assessment of risks and how it ensures sufficient capital is held to meet those risks

Pillar 3: which details the qualitative and quantitative disclosures which a firm must provide to the market to provide visibility on risks, capital and risk management practices

This document contains the Pillar 3 disclosures for UBSL.

UBSL's accounting year end is 31 December and UBSL's Pillar 3 disclosures have been aligned with its financial reporting. This document contains both qualitative and quantitative disclosures for the year ended December 2010.

UBSL is a wholly and directly owned subsidiary of UBS AG. UBSL has no subsidiary or associate undertakings. UBS AG is a credit institution incorporated in Switzerland which is principally regulated by the Swiss Financial Market Supervisory Authority ("FINMA") on both a parent bank and group basis. In this document references to UBS Group refers to UBS AG and its subsidiaries, including UBSL. UBS AG is subject to the Basel II regulatory framework under the rules of the FINMA. Under this framework the UBS Group is required to make appropriate Pillar 3 disclosures.

Given the nature of the UBSL business model (described in section 4 below) and the applicability to UBSL of UBS Group Risk Management policies and process, UBSL management has determined that the Pillar 3 disclosure requirements for UBSL are in many cases best met by reference to UBS Group disclosures. However additional supplemental information is provided to describe certain key aspects of the UBSL business model.

Readers should refer to the UBS Group disclosures for the year ended 31 December 2010 which can be found on the UBS Group website in the UBS AG annual report at the following link – see Part 3 "Risk and treasury management":

http://www.ubs.com/1/e/investors/annualreporting/2010.html

FINMA rules require that UBS Group make quantitative Pillar 3 disclosures twice in each calendar year for the reporting periods ending in June and December. The June reports can be found separately on the UBS Group website on a webpage entitled "UBS Pillar 3 disclosures" which is located under "Other filings and disclosures" which is accessible from the Investor Relations webpage.

http://www.ubs.com/1/e/investors/other_filings/pillar_3_ubs.html

2. UBS Limited's Business

UBSL conducts business in a broad range of investment banking products and services including lending, securities trading, securities financing, executing and clearing exchange traded and OTC derivatives, money market and FX trading. UBSL also provides underwriting, advisory and other fee driven services. UBSL has branches in France, Germany, Sweden, Switzerland and Poland. UBSL operates under a business model which is designed to transfer all credit risk (other than that of its parent UBS AG) and substantially all market, funding and other risks to UBS AG. This is described further in section 4 below. Counterparties of UBSL benefit from a guarantee of UBS AG. UBSL maintains certain exchange memberships in the United Kingdom and elsewhere in order to facilitate or support its business activities.

3. Risk Governance and Policies

UBSL operates within an integrated risk management governance framework applying UBS Group wide policies for the measurement and management of risk.

Given the commonality of risk management practice and that counterparties effectively assume UBS AG credit risk as a consequence of the guarantee provided by UBS AG, the UBS Group Pillar 3 qualitative disclosures are the primary source of relevant Pillar 3 disclosures for UBSL.

4. Business Model and Risk Management Objectives and Policies

4.1 Sources, Strategies and Processes to Manage Risk

UBSL considers that the key material risks potentially faced as a consequence of its activities are:-

Market risk: the risk of loss due to changes in value of positions arising from market prices, actual or implied, such as security prices, interest rates, FX rates and similar.

Credit risk: the risk of loss from a counterparty's failure to meet the terms of their contract or otherwise perform as agreed.

Operational risk: the risk of loss resulting as a consequence of failed or inadequate internal processes. These processes include transaction processing, compliance and legal risks.

Liquidity and funding risk: the risk that the firm is unable to meet its obligations as they fall due.

UBSL operates under a business model which is designed to transfer the risks outlined above to UBS AG. This is achieved through various hedging transactions, including back to back trades, fully sub participating loans and a broad indemnity that UBS AG provides to UBSL in respect of losses. Where necessary to maintain FSA prudential ratios or otherwise for the purpose of credit risk management, exposure to UBS Group is mitigated by receipts of collateral from UBS AG. A control framework exists in respect of this collateral. The collateral meets the FSA eligible collateral criteria - gold, OECD government securities, cash, investment grade securities and major equity index constituents. Controls exist to ensure the collateral is liquid and that market values are observable. The framework also establishes "haircuts" which are applied to the collateral in determining the mitigating value attributed.

For ETD clearing business where clients elect to transact under FSA client money rules, the risk of default by intermediate clearing brokers, clearing houses, exchanges and client money banks is borne by the clients that elect to be treated under client money rules rather than by UBSL.

As the banking and financial services industry globally continues to undergo a phase of significant regulatory change and development, The Directors regularly review UBSL's operating model and may need to make changes to that model over the next few years.

4.2 UBS Limited Governance

The board of directors of UBSL is responsible for the prudential management of the entity. The board utilises UBS AG staff, systems, policies and process in the execution of this duty. The terms of support provided to UBSL by the risk and control functions are documented in an outsourcing agreement between UBSL and UBS AG. UBSL business is risk managed in a manner consistent with the UBS Group approach.

In addition to policies and processes the board of UBSL has delegated certain oversight roles to committees including to the UBS – Investment Bank ("UBS-IB") Europe Middle East and Africa ("EMEA") Risk Committee ("EMEA RC") and the UBSL Capital and Collateral Committee.

4.2.1 The UBS-IB EMEA Risk Committee

The EMEA RC is a UBS-IB EMEA regional committee and additionally is a formally constituted committee of the UBSL Board.

The Committee's responsibilities include:

- monitoring of the risks in the region undertaken by UBS-IB in pursuit of its agreed business strategy; and
- exercising oversight of the risk control environment for UBS-IB within the region

Also, and specifically in relation to UBSL, it is required to:

- monitor the funding risks and review UBSL's large exposures, liquidity limits and general compliance with the FSA's, or other regulatory bodies, financial regulatory requirements as relevant to UBSL;
- review market developments and any major changes in UBSL's risk profile, including significant risk events and reputational and compliance issues;
- review or note proposals for new business activities pursuant to new business approval procedures; and
- consider any other matters which the EMEA RC considers necessary or desirable relating to UBSL's risk or internal control environment or prudent financial management

The Committee membership includes UBSL directors holding executive offices of UBSL:

- Chief Executive Officer
- Chief Operating Officer
- Chief Risk Officer
- Finance Director
- General Counsel

as well as senior UBS-IB EMEA regional business and logistics and control function representatives.

The EMEA RC reports to the UBSL Board in respect of UBSL matters.

4.2.2 The UBS Limited Capital and Collateral Committee

This committee's principal responsibilities include oversight of the execution of UBSL's regulatory capital and collateral requirements, reporting and management processes.

The Committee membership includes UBSL directors holding executive office of UBSL for:

- Finance Director
- Group Treasury;

- Chief Operating Officer
- Chief Risk Officer
- Collateral Management, Operations and Client Money
- General Counsel

5. Capital Resources

Year end 2010

The table below summarises the composition of capital resources as at 31.12.2010. Comparatives have been provided for the position as at the previous Pillar 3 disclosures period end.

Capital Resources

GBP thousand	**Notes**	**31.12.2010**	**31.12.2009**
Core tier one capital:			
Permanent share capital	1	153,663	63,310
Profit and loss account and other reserves		59,303	46,564
Share premium account		2,095,837	836,190
Total tier one capital before deductions		**2,308,803**	**946,064**
Deductions from tier one capital	4	(311)	(298)
Total tier one capital after deductions		**2,308,492**	**945,766**
Upper tier two capital:			
Perpetual subordinated debt	2	0	280,000
Revaluation reserves	3	2,450	1,690
Lower tier two capital:			
Long term subordinated debt	2	0	70,000
Total tier two capital before and after deductions		**2,450**	**351,690**
Total tier one capital plus tier two capital after deductions		**2,310,942**	**1,297,456**
Total tier three capital		**0**	**0**
Total capital resources after deductions		**2,310,942**	**1,297,456**

Notes:

1. The issued share capital of UBSL was increased twice during 2010

    - On 19th March 2010 UBSL issued and allotted 23,553,000 ordinary shares of £1.00 each fully paid for at a cash price including share premium that added £350,000,000 to UBSL's total tier one capital resources after deductions. The shares were entirely issued to UBSL's parent, UBS AG.

    - On 16 November 2010, the UBSL issued and allotted 66,800,000 ordinary shares of £1.00 each fully paid for cash at a price, including premium, that added £1,000,000,000 to UBSL's total tier one capital resources after deductions. The shares were entirely issued to UBSL's parent, UBS AG.

2. Following the issue of the additional tier one capital resources, on 19th March 2010 UBSL purchased all of its outstanding subordinated debt for a respective aggregate consideration equivalent to the principal amount plus interest accrued thereon to the date of purchase.

   The following subordinated notes ("Notes") were cancelled:-

Description	Amount Issued	Coupon	Maturity
Perpetual subordinated debt	GBP 280 million	1 month GBP Libor plus 1.5%	Undated
Dated subordinated debt	GBP 35 million	1 month GBP Libor plus 0.5%	February 2033
Dated subordinated debt	GBP 35 million	1 month GBP Libor plus 0.35%	December 2030

3. Revaluation reserves comprise reserves arising on the revaluation of UBSL's holdings in the ordinary shares of an exchange.

4. The tier one deduction represents the balance sheet value of UBSL's holding in the ordinary shares of a clearing house for which there is no regular market and for which the shareholding is a condition of membership.

6. Capital Adequacy

6.1 Regulatory Measurement Methodologies

This section summarises the methodologies used by UBSL in measuring risk under the Basel II regulatory rules. It is UBSL's practice to determine its capital requirements after the application of eligible collateral but without recognising the parental indemnity described in section 4.

6.1.1 Credit Risk

UBSL applies the Standardised approach to measure credit risk. UBSL has approval from the FSA to utilise UBS Group's internal credit models to measure the exposure arising from OTC financial derivatives (under an effective expected positive exposure (EPE) model) and securities financing transactions (under a close out period (COP) model).

All other credit risk is quantified using non-modelled approaches.

6.1.2 Market Risk

UBSL calculates its market positions using non-modelled standard supervisory approaches. In light of the risk transfer mechanism provided by its business model, little market risk remains in UBSL.

6.1.3 Operational Risk

UBSL has adopted the Basic Indicator Approach for determining its operational risk capital requirements.

6.2 Pillar 1 Capital Requirements

The following table sets out UBSL's Pillar 1 capital requirements as at 31 December 2010 in accordance with the FSA's rules.

Pillar 1 Capital Requirements

GBP thousand	**31.12.2010**	**31.12.2009**
Credit risk capital component under the Standardised Approach by exposure class	**46,000**	**60,398**
Central governments or central banks	0	0
Regional governments or local authoritites	171	443
Administrative bodies and non-commercial undertakings	0	0
Multilateral development banks	0	0
International organisations	0	0
Institutions	658	604
Corporates	44,783	58,972
Retail	0	0
Secured on real estate property	0	0
Past due items	0	0
Items belonging to regulatory high risk categories	0	0
Covered bonds	0	0
Securitisation positions	0	0
Short term claims on institutions and corporates	0	0
Collective investment undertakings	0	0
Other items	388	379
Operational risk capital component	**31,420**	**31,976**
Trading Book		
Market risk capital requirement	**76**	**41**
Interest rate	0	0
Equity	0	0
Option	0	0
Collective investment undertakings	0	0
Commodity	0	0
Foreign currency	76	41
Counterparty risk capital component	**147,180**	**250,272**
Concentration risk capital component	**0**	**0**
Total Pillar 1 capital requirement	**224,676**	**342,687**

In accordance with UBS Group policy, UBSL utilises external ratings from the following nominated External Credit Assessment Institutions (ECAI):

- Standard and Poors
- Moodys
- Fitch

These ECAIs are recognised by the FSA as eligible providers of credit ratings for the purposes of calculating credit risk requirements under the standardised approach.

UBSL undertakes profit & loss and capital forecasting in the context of the anticipated business environment and any intended changes to business activities. The capital forecast takes into account the expected changes in the risk profile of UBSL pre and post credit risk mitigation. This forecast is subject to stress and scenario testing and this is used to determine the appropriate potential capital needs and credit risk mitigation required.

7. Credit Risk Mitigation

Further to the comprehensive risk transfer and exposure collateralisation arrangements described in section 4 the following is relevant to the management of credit risk.

7.1 Netting

UBSL employs both on- and off-balance sheet netting as a credit risk mitigant in order to effectively manage the credit risk it faces on the business it transacts. Agreements are subject to appropriate legal review to ensure enforceability in insolvency in the relevant jurisdictions.

7.2 Collateral

In addition to the collateral arrangements with UBS AG, under which it may call collateral to manage the exposure to UBS AG, UBSL has also entered into two-way collateral agreements with market participants, under which either party can be required to provide collateral in the form of cash or marketable securities when exposure exceeds a pre-defined level. Generally, OTC derivatives business with lower rated counterparties and with hedge funds is conducted under one-way collateral agreements under which the counterparty provides collateral to UBSL.

Where financial collateral in the form of cash, marketable securities or gold is taken, UBSL will apply discounts to the market value reflecting its quality, liquidity and volatility. Exposures and collateral positions are monitored in accordance with the governing documentation and margin calls are made (and, if necessary, subsequent close-out rights exercised) when the exposure and/or the market value of collateral changes to the extent that the contractual obligations are triggered.

8. Remuneration

8.1 Remuneration policy and compensation structure

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 Annual Report that can be found on the UBS group website accessed via the link below:

http://www.ubs.com/1/e/investors/annualreporting/2010.html

8.2 Remuneration awarded for 2010

UBSL does not directly employ staff. Quantitative disclosures of awarded remuneration for 2010 in respect of the members of the UBSL Board are given below. The board members, include the heads of UBS Investment Bank, senior management from the Fixed Income and Equities businesses along with the regional COO and other senior regional staff from Finance, Legal & Compliance, Risk Management and Treasury. These individuals are ultimately responsible for actions having a material impact on the risk profile of the bank.

The figures below `represent the time apportioned value of directors' total remuneration awarded by UBS, reflecting the time each director devoted to the management of UBSL during 2010.

Remuneration by business area

GBP thousand	Beneficiaries	Total remuneration for 2010
Corporate centre	6	745
Investment bank	11	655
Total	**17**	**1,400**

Remuneration by category of impact on the risk profile of the bank

GBP thousand	Beneficiaries	Total remuneration for 2010	Fixed	Variable	Variable remuneration by type			
					Immediate cash	Deferred cash	Immediate shares	Deferred shares
Senior management	17 *	1,400	456	944	124	119	104	597

* Of which 12 members of senior management benefitted from variable remuneration

Outstanding deferred remuneration by category of impact on the risk profile of the bank

GBP thousand	Beneficiaries	Total deferred remuneration	Vested	Unvested
Senior management	15	1,778	686	1,092

There was no deferred remuneration awarded to senior management during the financial year that was paid out and reduced through performance adjustments. There were no new sign-on or severance payments made during the financial year nor were there any severance awards made to senior management.

Disclaimer

This document may contain statements that constitute "forward looking statements" including but not limited to statements relating to the anticipated effect of transactions described herein and other risks specific to UBS's business, strategic initiatives, future business development and economic performance. While these forward-looking statements represent UBS's judgements and expectations concerning the development of its business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from UBS's expectations.

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The information contained within this document has not been audited by the Company's external auditors.

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