

Pillar 3 Disclosure Report

31 March 2020

United Overseas Bank Limited
Incorporated in the Republic of Singapore

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Notes:

- 1 The pillar 3 disclosure report is presented in Singapore dollars.
- 2 Certain figures in this report may not add up to the respective totals due to rounding.
- 3 Amounts less than \$500,000 in absolute term are shown as "0".

1 Introduction

UOB Group's Pillar 3 Disclosure Report ("The Report") is prepared in accordance with the Monetary Authority of Singapore ("MAS") Notice to Banks No. 637 "Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore".

The Report is governed by the Group Pillar 3 Disclosure Policy which specifies the Group's Pillar 3 disclosure requirements, frequency of disclosure, medium of disclosure, and the roles and responsibilities of various parties involved in the disclosure reporting. The Policy is reviewed at least annually and approved by the Board.

The Report facilitates an assessment of the Group's capital adequacy and provides an overview of the Group's risk profile.

2 Key Metrics

The table below provides an overview of the Group's key prudential metrics related to regulatory capital, leverage ratio and liquidity standards.

\$m		31 Mar 2020	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019
Available capital (amounts)¹						
1	CET1 capital	32,748	32,366	31,759	32,067	32,013
2	Tier 1 capital	35,127	34,745	34,637	34,196	34,142
3	Total capital	39,939	39,352	39,171	39,630	38,914
Risk weighted assets (amounts)¹						
4	Total RWA	231,900	226,318	231,610	230,032	229,515
Risk-based capital ratios as a percentage of RWA						
5	CET1 ratio (%)	14.1	14.3	13.7	13.9	13.9
6	Tier 1 ratio (%)	15.1	15.4	15.0	14.9	14.9
7	Total capital ratio (%)	17.2	17.4	16.9	17.2	17.0
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.5	2.5	2.5	2.5	2.5
9	Countercyclical buffer requirement (%)	0.1	0.2	0.3	0.3	0.3
10	Bank G-SIB and/or D-SIB additional requirement (%)	-	-	-	-	-
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.6	2.7	2.8	2.8	2.8
12	CET1 available after meeting the Reporting Bank's minimum capital requirements (%)	7.1	7.4	6.9	6.9	6.9
Leverage Ratio²						
13	Total Leverage Ratio exposure measure	475,001	452,859	458,057	454,152	448,511
14	Leverage Ratio (%) (row 2/ row 13)	7.4	7.7	7.6	7.5	7.6
Liquidity Coverage Ratio						
15	Total High Quality Liquid Assets	60,817	57,419	61,140	58,528	60,256
16	Total net cash outflow	43,899	38,859	42,869	39,873	41,439
17	Liquidity Coverage Ratio (%)	139	149	144	147	146
Net Stable Funding Ratio						
18	Total available stable funding	253,901	249,651	244,071	242,619	240,458
19	Total required stable funding	233,779	223,998	227,613	224,621	220,953
20	Net Stable Funding Ratio (%)	109	111	107	108	109

¹ The Group's CET1, Tier 1 and Total CAR as at 31 March 2020 were well above the regulatory minimum requirements. Quarter on quarter and year on year, total capital was higher mainly from retained earnings. RWA was higher largely due to asset growth.

² As at 31 March 2020, the Group's leverage ratio was 7.4%, comfortably above the regulatory minimum requirement of 3%.

3 Leverage Ratio

The Basel III framework introduced Leverage Ratio as a non-risk-based backstop limit to supplement the risk-based capital requirements. It aims to constrain the build-up of excess leverage in the banking sector, with additional safeguards against model risk and measurement errors. Leverage ratio is expressed as Tier 1 Capital against Exposure Measure, which comprises on- and off-balance sheet items. Other than the difference in scope for consolidation and aggregation under SFRS and MAS Notice 637, there are no material differences between total balance sheet assets (net of on-balance sheet derivative and SFT assets) as reported in the financial statements and Exposure Measure of on-balance sheet items.

3.1 Leverage Ratio Summary Comparison Table

The following disclosure is presented in prescribed templates under MAS Notice 637 Annex 11F and 11G.

Reconciliation of Balance Sheet Assets to Exposure Measure³

\$m		31 Mar 2020
1	Total consolidated assets as per published financial statements	428,633
2	Adjustment for investments in entities that are consolidated for accounting purposes but are outside the regulatory scope of consolidation	(571)
3	Adjustment for fiduciary assets recognised on the balance sheet in accordance with the Accounting Standards but excluded from the calculation of the exposure measure	-
4	Adjustment for derivative transactions	4,243
5	Adjustment for SFTs	1,333
6	Adjustment for off-balance sheet items	45,938
7	Other adjustments	(4,575)
8	Exposure measure	475,001

³ Computed using quarter-end balances

3.2 Leverage Ratio Common Disclosure Template

Exposure Measure Components³

\$m		31 Mar 2020	31 Dec 2019
Exposure measures of on-balance sheet items			
1	On-balance sheet items (excluding derivative transactions and SFTs, but including on-balance sheet collateral for derivative transactions or SFTs)	398,902	379,829
2	Asset amounts deducted in determining Tier 1 capital	(4,575)	(4,564)
3	Total exposure measures of on-balance sheet items (excluding derivative transactions and SFTs)	394,327	375,265
Derivative exposure measures			
4	Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins)	10,643	5,499
5	Potential future exposure associated with all derivative transactions	6,515	5,813
6	Gross-up for derivative collaterals provided where deducted from the balance sheet assets in accordance with the Accounting Standards	-	-
7	Deductions of receivables for the cash portion of variation margins provided in derivative transactions	-	-
8	CCP leg of trade exposures excluded	-	-
9	Adjusted effective notional amount of written credit derivatives	-	13
10	Further adjustments in effective notional amounts and deductions from potential future exposures of written credit derivatives	-	-
11	Total derivative exposure measures	17,158	11,325
SFT exposure measures			
12	Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting	16,245	17,614
13	Eligible netting of cash payables and cash receivables	-	-
14	SFT counterparty exposures	1,333	292
15	SFT exposure measures where a Reporting Bank acts as an agent in the SFTs	-	-
16	Total SFT exposure measures	17,578	17,906
Exposure measures of off-balance sheet items			
17	Off-balance sheet items at notional amount	216,825	219,192
18	Adjustments for calculation of exposure measures of off-balance sheet items	(170,887)	(170,829)
19	Total exposure measures of off-balance sheet items	45,938	48,363
Capital and Total exposures			
20	Tier 1 capital	35,127	34,745
21	Total exposures	475,001	452,859
Leverage ratio			
22	Leverage ratio	7.4%	7.7%

³ Computed using quarter-end balances

As at 31 March 2020 the Group's leverage ratio was 7.4%, a 0.3% decrease quarter-on-quarter primarily due to higher asset base.

4 Overview of RWA

The table below lists the Group's RWA by risk type and approach, as prescribed under MAS Notice 637. The minimum capital requirement is stated at 10.0% of RWA.

Total RWA was \$5.6 billion higher quarter-on-quarter mainly due to loan growth.

\$m		(a)	(b)	(c)
		RWA		Minimum capital requirements
		As at 31 Mar 2020	As at 31 Dec 2019	As at 31 Mar 2020
1	Credit risk (excluding CCR)	192,155	188,203	19,216
2	<i>of which: Standardised Approach</i>	25,035	24,977	2,504
3	<i>of which: F-IRBA</i>	144,816	140,482	14,482
4	<i>of which: supervisory slotting approach</i>	4,355	4,523	435
5	<i>of which: A-IRBA</i>	17,949	18,221	1,795
6	CCR	4,489	3,292	449
7	<i>of which: Current Exposure Method</i>	3,452	2,334	345
8	<i>of which: CCR internal models method</i>	-	-	-
9	<i>of which: other CCR</i>	615	503	61
9a	<i>of which: CCP</i>	422	455	42
10	CVA	2,572	1,769	257
11	Equity exposures under the simple risk weight method	-	-	-
11a	Equity exposures under the IMM	-	-	-
12	Equity investments in funds – look through approach	99	95	10
13	Equity investments in funds – mandate-based approach	2,996	2,831	300
14	Equity investments in funds – fall back approach	0	0	0
14a	Equity investment in funds – partial use of an approach	-	-	-
15	Unsettled transactions	-	-	-
16	Securitisation exposures in the banking book	284	270	28
17	<i>of which: SEC-IRBA</i>	-	-	-
18	<i>of which: SEC-ERBA, including IAA</i>	216	239	22
19	<i>of which: SEC-SA</i>	68	31	7
20	Market risk	9,132	9,959	913
21	<i>of which: SA(MR)</i>	9,132	9,959	913
22	<i>of which: IMA</i>	-	-	-
23	Operational risk	16,177	15,940	1,618
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	3,996	3,959	400
25	Floor adjustment	-	-	-
26	Total	231,900	226,318	23,190

5 Credit Risk

5.1 IRBA – RWA Flow Statement for Credit Risk Exposures

The following table presents changes in RWA corresponding to credit risk only (excluding CCR) over the quarterly reporting period for each of the key drivers.

The Group's RWA increased mainly due to loan growth and foreign currency translation.

As at 31 March 2020

\$m		(a)
		RWA amounts
1	RWA as at end of previous quarter	163,226
2	Asset size	4,053
3	Asset quality	(2,793)
4	Model updates	0
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	2,634
8	Other	-
9	RWA as at end of quarter	167,120

6 Counterparty Credit Risk (CCR)

6.1 RWA Flow Statements under CCR internal models method

UOB does not use CCR Internal Models Method.

7 Market Risk

7.1 RWA Flow Statements of Market Risk Exposures under IMA

This disclosure is not applicable as the Group has not adopted IMA for market risk regulatory capital requirements.

8 Liquidity Coverage Ratio Disclosures

8.1 Liquidity Coverage Ratio

The Liquidity Coverage Ratio (“LCR”) ensures that a Bank has sufficient unencumbered high quality liquid assets (“HQLA”) to survive a significant stress scenario for the next 30 days. The Group’s LCR disclosure is as per MAS Notice 651 “Liquidity Coverage Ratio Disclosure”.

Quarterly average All Currency LCR and Singapore Dollar LCR of 139% and 330% respectively were comfortably above the regulatory requirements of 100%. 91 calendar days’ data points were used in calculating the average figures. Compared to 4Q2019, decrease in All Currency LCR was mainly due to increase in loans; partially offset by higher HQLA. Increase in SGD Dollar LCR was mainly due to higher HQLA. The main drivers of LCR are the net cumulative outflow driven mainly by deposit profile and the portfolio of high quality liquid asset which would cause some volatility on a day to day basis. The Group’s HQLA composition comprised 94%⁴ Level 1 HQLA and the remaining in Level 2A and 2B HQLA. Deposit strategies are regularly discussed in Group ALCO with monitoring on deposit concentration and currency mismatch etc. The Group’s exposures to derivatives and potential collateral calls were incorporated into the LCR outflows.

Daily liquidity management is centrally managed under Global Markets-Portfolio & Liquidity Management with regular discussion with Central Treasury and relevant Business Units. Liquidity limits and triggers were established to limit the Group’s liquidity exposure. Balance Sheet Risk Management oversees the liquidity risk management in the Group. Contingency funding plans are in place to identify potential liquidity crisis using a series of early warning indicators as well as crisis escalation process and related funding strategies.

Please refer to:

- UOB Annual Report 2019, Risk Management section – Liquidity Risk for governance of liquidity risk management, funding strategy and liquidity risk mitigation techniques.
- UOB Annual Report 2019, Note 44 Financial Risk Management section for Balance sheet and off-balance sheet items broken down into maturity buckets and resultant liquidity gaps.

⁴ after LCR weighting

For the quarter ended 31 March 2020

\$m		Total Unweighted Value Average	Total Weighted Value Average
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		60,817
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	125,708	10,728
3	Stable deposits	31,197	1,560
4	Less stable deposits	94,511	9,168
5	Unsecured wholesale funding, of which:	112,728	58,251
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	19,761	4,684
7	Non-operational deposits (all counterparties)	87,655	48,254
8	Unsecured debt	5,313	5,313
9	Secured wholesale funding		105
10	Additional requirements, of which:	34,939	8,248
11	Outflows related to derivative exposures and other collateral requirements	4,294	3,238
12	Outflows related to loss of funding on debt products	220	220
13	Credit and liquidity facilities	30,425	4,790
14	Other contractual funding obligations	4,346	4,346
15	Other contingent funding obligations	12,386	814
16	TOTAL CASH OUTFLOWS		82,492
CASH INFLOWS			
17	Secured lending (eg reverse repos)	10,006	4,526
18	Inflows from fully performing exposures	45,417	29,837
19	Other cash inflows	5,212	4,230
20	TOTAL CASH INFLOWS	60,635	38,593
		Total Adjusted Value	
21	TOTAL HQLA		60,817
22	TOTAL NET CASH OUTFLOWS		43,899
23	LIQUIDITY COVERAGE RATIO (%)		139

8.3 Average Group SGD Currency LCR

For the quarter ended 31 March 2020

\$m		Total Unweighted Value Average	Total Weighted Value Average
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		23,228
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	84,257	7,003
3	Stable deposits	28,464	1,423
4	Less stable deposits	55,793	5,579
5	Unsecured wholesale funding, of which:	29,653	12,505
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	8,621	1,981
7	Non-operational deposits (all counterparties)	20,877	10,370
8	Unsecured debt	154	154
9	Secured wholesale funding		-
10	Additional requirements, of which:	17,988	7,179
11	Outflows related to derivative exposures and other collateral requirements	5,942	5,792
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	12,046	1,387
14	Other contractual funding obligations	999	999
15	Other contingent funding obligations	96	76
16	TOTAL CASH OUTFLOWS		27,763
CASH INFLOWS			
17	Secured lending (eg reverse repos)	509	-
18	Inflows from fully performing exposures	11,215	6,277
19	Other cash inflows	17,838	17,649
20	TOTAL CASH INFLOWS	29,562	23,926
		Total Adjusted Value	
21	TOTAL HQLA		23,228
22	TOTAL NET CASH OUTFLOWS		7,046
23	LIQUIDITY COVERAGE RATIO (%)		330

9 Abbreviations

The following abbreviated terms are used throughout this document.

A		S	
A-IRBA	Advanced Internal Ratings-Based Approach	SA(MR)	Standardised Approach to Market Risk
ALCO	Asset and Liability Committee	SEC-IRBA	Securitisation Internal Ratings-Based Approach
C		SEC-ERBA	Securitisation External Ratings-Based Approach
CAR	Capital Adequacy Ratio	SEC-SA	Securitisation Standardised Approach
CCP	Central Counterparty	SFRS	Singapore Financial Reporting Standards
CCR	Counterparty Credit Risk	SFTs	Securities Financing Transactions
CET1	Common Equity Tier 1		
CVA	Credit Valuation Adjustment		
D			
D-SIB	Domestic Systemically Important Bank		
F			
F-IRBA	Foundation Internal Ratings-Based Approach		
G			
G-SIB	Global Systemically Important Bank		
I			
IAA	Internal Assessment Approach		
IMA	Internal Models Approach		
IMM	Internal Models Method		
IRBA	Internal Ratings-Based Approach		
R			
RWA	Risk-Weighted Assets		