

Pillar 3 Disclosure Report

30 September 2019

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.

Components as at 30 September 2019

\$m		30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
Available capital (amounts)¹						
1	CET1 capital	31,759	32,067	32,013	30,750	29,902
2	Tier 1 capital	34,637	34,196	34,142	32,879	32,030
3	Total capital	39,171	39,630	38,914	37,542	36,895
Risk weighted assets (amounts)¹						
4	Total RWA	231,610	230,032	229,515	220,568	212,502
Risk-based capital ratios as a percentage of RWA						
5	CET1 ratio (%)	13.7	13.9	13.9	13.9	14.1
6	Tier 1 ratio (%)	15.0	14.9	14.9	14.9	15.1
7	Total capital ratio (%)	16.9	17.2	17.0	17.0	17.4
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (%)	2.5	2.5	2.5	1.875	1.875
9	Countercyclical buffer requirement (%)	0.3	0.3	0.3	0.2	0.2
10	Bank G-SIB and/or D-SIB additional requirement (%)	-	-	-	-	-
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.8	2.8	2.8	2.1	2.1
12	CET1 available after meeting the Reporting Bank's minimum capital requirements (%)	6.9	6.9	6.9	6.9	7.1
Leverage Ratio¹						
13	Total Leverage Ratio exposure measure	458,057	454,152	448,511	434,732	430,329
14	Leverage Ratio (%) (row 2/ row 13)	7.6	7.5	7.6	7.6	7.4
Liquidity Coverage Ratio						
15	Total High Quality Liquid Assets	61,140	58,528	60,256	49,847	45,706
16	Total net cash outflow	42,869	39,873	41,439	39,109	32,385
17	Liquidity Coverage Ratio (%)	144	147	146	127	142
Net Stable Funding Ratio						
18	Total available stable funding	244,071	242,619	240,458	230,739	230,052
19	Total required stable funding	227,613	224,621	220,953	215,097	209,023
20	Net Stable Funding Ratio (%)	107	108	109	107	110

¹ For Capital Adequacy and Leverage Ratios' commentaries, please refer to the Group Financial Report available on UOB's website at www.UOBgroup.com/investor-relations/financial/index.html

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.

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

Reconciliation of Balance Sheet Assets to Exposure Measure²

\$m		30 Sep 2019
1	Total consolidated assets as per published financial statements	408,383
2	Adjustment for investments in entities that are consolidated for accounting purposes but are outside the regulatory scope of consolidation	(607)
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	5,344
5	Adjustment for SFTs	643
6	Adjustment for off-balance sheet items	48,822
7	Other adjustments	(4,528)
8	Exposure measure	458,057

² Computed using quarter-end balances

3 LEVERAGE RATIO (cont'd)

Exposure Measure Components²

\$m		30 Sep 2019	30 Jun 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)	382,167	383,428
2	Asset amounts deducted in determining Tier 1 capital	(4,528)	(4,558)
3	Total exposure measures of on-balance sheet items (excluding derivative transactions and SFTs)	377,639	378,870
Derivative exposure measures			
4	Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins)	6,013	5,124
5	Potential future exposure associated with all derivative transactions	6,542	6,233
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	41	97
10	Further adjustments in effective notional amounts and deductions from potential future exposures of written credit derivatives	-	-
11	Total derivative exposure measures	12,596	11,454
SFT exposure measures			
12	Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting	18,357	16,551
13	Eligible netting of cash payables and cash receivables	-	-
14	SFT counterparty exposures	643	382
15	SFT exposure measures where a Reporting Bank acts as an agent in the SFTs	-	-
16	Total SFT exposure measures	19,000	16,933
Exposure measures of off-balance sheet items			
17	Off-balance sheet items at notional amount	215,080	209,064
18	Adjustments for calculation of exposure measures of off-balance sheet items	(166,258)	(162,169)
19	Total exposure measures of off-balance sheet items	48,822	46,895
Capital and Total exposures			
20	Tier 1 capital	34,637	34,196
21	Total exposures	458,057	454,152
Leverage ratio			
22	Leverage ratio	7.6%	7.5%

² Computed using quarter-end balances

As at 30 September 2019, the Group's leverage ratio was 7.6%, a 0.1% increase quarter-on-quarter, primarily due to higher Tier 1 capital.

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 increased marginally between 30 September 2019 and 30 June 2019.

\$m		(a)	(b)	(c)
		RWA		Minimum capital requirements
		As at 30 Sep 2019	As at 30 Jun 2019	As at 30 Sep 2019
1	Credit risk (excluding CCR)	191,748	190,234	19,175
2	<i>of which Standardised Approach</i>	24,230	23,848	2,423
3	<i>of which F-IRBA</i>	144,900	144,171	14,490
4	<i>of which supervisory slotting approach</i>	4,490	4,287	449
5	<i>of which A-IRBA</i>	18,128	17,928	1,813
6	CCR	3,682	3,585	368
7	<i>of which Current Exposure Method</i>	2,542	2,483	254
8	<i>of which CCR internal models method</i>	-	-	-
9	<i>of which other CCR</i>	645	668	64
9a	<i>of which CCP</i>	495	434	49
10	CVA	1,883	1,911	188
11	Equity exposures under the simple risk weight method	-	-	-
11a	Equity exposures under the IMM	-	-	-
12	Equity investments in funds – look through approach	95	96	10
13	Equity investments in funds – mandate-based approach	2,760	2,538	276
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	239	325	24
17	<i>of which SEC-IRBA</i>	-	-	-
18	<i>of which SEC-ERBA, including IAA</i>	202	199	20
19	<i>of which SEC-SA</i>	37	32	4
20	Market risk	10,170	10,637	1,017
21	<i>of which SA(MR)</i>	10,170	10,637	1,017
22	<i>of which IMA</i>	-	-	-
23	Operational risk	15,606	15,283	1,561
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	5,427	5,423	543
25	Floor adjustment	-	-	-
26	Total	231,610	230,032	23,161

5 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 marginally mainly due to foreign currency translation and asset growth, offset by better asset quality.

		(a)
		RWA amounts
\$m		
1	RWA as at end of previous quarter	166,386
2	Asset size	993
3	Asset quality	(1,212)
4	Model updates	(53)
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	1,404
8	Other	-
9	RWA as at end of quarter	167,518

6 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 144% and 342% respectively were comfortably above the regulatory requirements of 100%. 92 calendar days’ data points were used in calculating the average figures. Compared to 2Q2019, change in All Currency LCR was mainly due to flow down of debt issuance into 30days; partially offset by higher HQLA. Higher 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 93%³ 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.

GROUP ALL CURRENCY LCR for 3Q2019

	(In SGD'm)	Total Unweighted Value Average	Total Weighted Value Average
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assests (HQLA)		61,140
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	120,481	10,268
3	Stable deposits	29,882	1,494
4	Less stable deposits	90,599	8,773
5	Unsecured wholesale funding, of which:	113,550	61,480
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	17,468	4,113
7	Non-operational deposits (all counterparties)	88,406	49,690
8	Unsecured debt	7,677	7,677
9	Secured wholesale funding		138
10	Additional requirements, of which:	35,823	7,587
11	Outflows related to derivative exposures and other collateral requirements	3,176	2,503
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	32,646	5,084
14	Other contractual funding obligations	4,546	4,546
15	Other contingent funding obligations	13,120	698
16	TOTAL CASH OUTFLOWS		85,140
CASH INFLOWS			
17	Secured lending (eg reverse repos)	13,029	5,274
18	Inflows from fully performing exposures	48,700	31,704
19	Other cash inflows	5,773	4,871
20	TOTAL CASH INFLOWS	67,502	41,848
		Total Adjusted Value	
21	TOTAL HQLA		61,140
22	TOTAL NET CASH OUTFLOWS		42,869
23	LIQUIDITY COVERAGE RATIO (%)		144

³ after LCR weighting

6 LIQUIDITY COVERAGE RATIO (cont'd)
GROUP SGD CURRENCY LCR for 3Q2019

	(In SGD'm)	Total Unweighted Value Average	Total Weighted Value Average
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assests (HQLA)		23,486
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	81,834	6,820
3	Stable deposits	27,266	1,363
4	Less stable deposits	54,568	5,457
5	Unsecured wholesale funding, of which:	28,076	12,042
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	7,059	1,590
7	Non-operational deposits (all counterparties)	20,901	10,336
8	Unsecured debt	116	116
9	Secured wholesale funding		-
10	Additional requirements, of which:	16,815	5,995
11	Outflows related to derivative exposures and other collateral requirements	4,440	4,420
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	12,375	1,575
14	Other contractual funding obligations	948	948
15	Other contingent funding obligations	92	86
16	TOTAL CASH OUTFLOWS		25,890
CASH INFLOWS			
17	Secured lending (eg reverse repos)	1,056	3
18	Inflows from fully performing exposures	11,951	6,621
19	Other cash inflows	13,886	13,696
20	TOTAL CASH INFLOWS	26,893	20,320
			Total Adjusted Value
21	TOTAL HQLA		23,486
22	TOTAL NET CASH OUTFLOWS		6,914
23	LIQUIDITY COVERAGE RATIO (%)		342

7 SUMMARY OF DISCLOSURE EXCLUDED

<u>Disclosures Description</u>	<u>Rationale</u>
RWA flow statements under CCR internal models method	UOB not using CCR Internal Models Method
RWA flow statements of market risk exposures under IMA	UOB not using IMA for market risk

8 ABBREVIATIONS

The following abbreviated terms are used throughout this document.

A		F	
A-IRBA	Advanced Internal Ratings-Based Approach	FC(SA)	Financial Collateral Simple Approach
ALCO	Asset and Liability Committee	FC(CA)	Financial Collateral Comprehensive Approach
AMA	Advanced Measurement Approach	F-IRBA	Foundation Internal Ratings-Based Approach
AT1 capital	Additional Tier 1 capital	G	
B		G-SIB	Global Systemically Important Bank
BIA	Basic Indicator Approach	H	
C		HVCRE	High-Volatility Commercial Real Estate
CAR	Capital Adequacy Ratio	I	
CCF	Credit Conversion Factor	IAA	Internal Assessment Approach
CCP	Central Counterparty	IAM	Internal Assessment Method
CCR	Counterparty Credit Risk	IMA	Internal Models Approach
CCyB	Countercyclical Capital Buffer	IMM	Internal Models Method
CET1	Common Equity Tier 1	IPRE	Income-Producing Real Estate
CF	Commodities Finance	IRBA	Internal Ratings-Based Approach
CR	Credit Risk	L	
CRE	Commercial Real Estate	LGD	Loss Given Default
CRM	Credit Risk Mitigation	M	
CVA	Credit Valuation Adjustment	MDB	Multilateral Development Bank
E		MR	Market Risk
EAD	Exposure at Default	N	
EL	Expected Loss	NBFI	Non Bank Financial Institutions
EPE	Expected Positive Exposure	NCI	Non-Controlling Interests
EQ	Equity Exposures	O	
ES	Expected Shortfall	OF	Object Finance
EVE	Economic Value of Equity	OR	Operational Risk

28 ABBREVIATIONS (cont'd)

P		T	
PD	Probability of Default	T1 capital	Tier 1 capital
PE/VC	Private Equity/Venture Capital	T2 capital	Tier 2 capital
PF	Project Finance	TEP	Total Eligible Provisions
PSE	Public Sector Entity	TLAC	Total Loss-Absorbing Capital
Q		V	
QRRE	Qualifying Revolving Retail Exposures	VaR	Value-at-Risk
R			
RBM	Ratings-Based Method		
RW	Risk Weight		
RWA	Risk-Weighted Assets		
S			
SA	Standardised Approach		
SA(CR)	Standardised Approach to Credit Risk		
SA(EQ)	Standardised Approach for Equity Exposures		
SA(MR)	Standardised Approach to Market Risk		
SA(OR)	Standardised Approach to Operational Risk		
SEC-IRBA	Securitisation Internal Ratings-Based Approach		
SEC-ERBA	Securitisation External Ratings-Based Approach		
SEC-SA	Securitisation Standardised Approach		
SF	Supervisory Formula		
SFRS	Singapore Financial Reporting Standards		
SFTs	Securities Financing Transactions		
SME	Small-and Medium-sized Enterprises		