

Pillar 3 Disclosure Report

31 March 2022

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 "#".

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 31 March 2022

\$m	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021	
Available capital (amounts)¹						
1	CET1 capital	35,080	34,935	34,144	34,323	33,860
2	Tier 1 capital	37,460	37,314	36,524	36,702	36,389
3	Total capital	42,232	43,075	42,589	43,613	42,349
Risk weighted assets (amounts)¹						
4	Total RWA	267,550	259,067	252,810	241,090	236,008
Risk-based capital ratios as a percentage of RWA						
5	CET1 ratio (%)	13.1	13.5	13.5	14.2	14.3
6	Tier 1 ratio (%)	14.0	14.4	14.4	15.2	15.4
7	Total capital ratio (%)	15.8	16.6	16.8	18.1	17.9
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	0.1	0.1	0.1	0.1
10	G-SIB and/or D-SIB additional requirement (%)	-	-	-	-	-
11	Total of CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.6	2.6	2.6	2.6	2.6
12	CET1 available after meeting the Reporting Bank's minimum capital requirements (%)	5.8	6.4	6.4	7.2	7.4
Leverage Ratio²						
13	Total Leverage Ratio exposure measure	539,273	517,243	512,305	498,595	488,377
14	Leverage Ratio (%) (row 2/ row 13)	6.9	7.2	7.1	7.4	7.5
Liquidity Coverage Ratio						
15	Total High Quality Liquid Assets	78,967	79,629	77,039	78,514	77,519
16	Total net cash outflow	61,097	59,911	55,952	59,801	55,846
17	Liquidity Coverage Ratio (%)	129	133	138	131	139
Net Stable Funding Ratio						
18	Total available stable funding	294,532	288,115	290,972	281,497	270,883
19	Total required stable funding	261,223	247,977	232,609	228,861	223,764
20	Net Stable Funding Ratio (%)	113	116	125	123	121

¹ The Group's CET1, Tier 1 and Total CAR as at 31 March 2022 remained well above the regulatory minimum requirements. Compared with last quarter and against the same quarter last year, total capital decreased mainly due to redemption of Tier 2 subordinated notes and lower valuation reserves, partly offset by higher retained earnings. RWA grew quarter on quarter mainly due to higher asset base. Year on year, RWA was higher largely due to loan growth.

² As at 31 March 2022, the Group's leverage ratio was 6.9%, 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 2022
1	Total consolidated assets as per published financial statements	475,847
2	Adjustment for investments in entities that are consolidated for accounting purposes but are outside the regulatory scope of consolidation	(593)
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	5,977
5	Adjustment for SFTs	833
6	Adjustment for off-balance sheet items	62,009
7	Other adjustments	(4,800)
8	Exposure measure	539,273

³Computed using quarter-end balances

3.2 Leverage Ratio Common Disclosure Template

Exposure Measure Components³

\$m		31 Mar 2022	31 Dec 2021
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)	452,934	436,799
2	Asset amounts deducted in determining Tier 1 capital	(4,800)	(4,723)
3	Total exposure measures of on-balance sheet items (excluding derivative transactions and SFTs)	448,134	432,076
Derivative exposure measures			
4	Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins)	6,552	4,537
5	Potential future exposure associated with all derivative transactions	7,190	5,952
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	81	14
10	Further adjustments in effective notional amounts and deductions from potential future exposures of written credit derivatives	-	-
11	Total derivative exposure measures	13,823	10,503
SFT exposure measures			
12	Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting	14,474	16,635
13	Eligible netting of cash payables and cash receivables	-	-
14	SFT counterparty exposures	833	960
15	SFT exposure measures where a Reporting Bank acts as an agent in the SFTs	-	-
16	Total SFT exposure measures	15,307	17,595
Exposure measures of off-balance sheet items			
17	Off-balance sheet items at notional amount	245,760	242,143
18	Adjustments for calculation of exposure measures of off-balance sheet items	(183,751)	(185,074)
19	Total exposure measures of off-balance sheet items	62,009	57,069
Capital and Total exposures			
20	Tier 1 capital	37,460	37,314
21	Total exposures	539,273	517,243
Leverage ratio			
22	Leverage ratio	6.9%	7.2%

³ Computed using quarter-end balances

The Group's leverage ratio decreased 0.3% point quarter-on-quarter to 6.9% as at 31 March 2022 mainly driven by asset growth.

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 \$8.5 billion higher quarter-on-quarter mainly due to higher credit RWA from corporate loan growth, as well as change in approach for the computation of CCR RWA from Current Exposure Method to SA-CCR.

\$m		(a)	(b)	(c)
		RWA		Minimum capital requirements
		As at 31 Mar 2022	As at 31 Dec 2021	As at 31 Mar 2022
1	Credit risk (excluding CCR)	222,456	218,507	22,246
2	<i>of which: Standardised Approach</i>	34,847	33,934	3,485
3	<i>of which: F-IRBA</i>	165,319	162,774	16,532
4	<i>of which: supervisory slotting approach</i>	5,105	4,863	510
5	<i>of which: A-IRBA</i>	17,185	16,936	1,719
6	CCR	5,835	3,618	583
7	<i>of which: SA-CCR⁴</i>	4,592	2,486	459
8	<i>of which: CCR internal models method</i>	-	-	-
9	<i>of which: other CCR</i>	839	985	84
9a	<i>of which: CCP</i>	404	147	40
10	CVA	2,366	1,739	237
11	Equity exposures under the simple risk weight method	-	-	-
11a	Equity exposures under the IMM	-	-	-
12	Equity investments in funds – look through approach	9	42	1
13	Equity investments in funds – mandate-based approach	3,847	3,893	385
14	Equity investments in funds – fall back approach	#	#	#
14a	Equity investment in funds – partial use of an approach	-	-	-
15	Unsettled transactions	-	-	-
16	Securitisation exposures in the banking book	425	368	42
17	<i>of which: SEC-IRBA</i>	-	-	-
18	<i>of which: SEC-ERBA, including IAA</i>	361	311	36
19	<i>of which: SEC-SA</i>	64	57	6
20	Market risk	11,663	10,133	1,166
21	<i>of which: SA(MR)</i>	11,663	10,133	1,166
22	<i>of which: IMA</i>	-	-	-
23	Operational risk	16,545	16,413	1,655
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	4,404	4,354	440
25	Floor adjustment	-	-	-
26	Total	267,550	259,067	26,755

⁴ Prior to 1 Jan 2022, the Group adopted the Current Exposure Method for the computation of CCR RWA. With effect from 1 Jan 2022, CCR RWA is computed based on SA-CCR.

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.

Compared to December 2021, the Group's RWA increased mainly from corporate loan growth.

As at 31 March 2022

		(a)
		RWA amounts
\$m		
1	RWA as at end of previous quarter	184,573
2	Asset size	5,610
3	Asset quality	(2,630)
4	Model updates	-
5	Methodology and policy	
6	Acquisitions and disposals	-
7	Foreign exchange movements	56
8	Other	
9	RWA as at end of quarter	187,609

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 129% and 343% respectively were comfortably above the regulatory requirements of 100%. Compared to 4Q2021, decrease in All Currency LCR was mainly due to flow down of unsecured debt and growth in deposits within 30 days; partially offset by net inflows. Increase in SGD Currency LCR was mainly due to increase in other cash inflows within 30 days; partially offset by decrease in 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 largely Level 1 HQLA which include balances with central bank and sovereign bonds 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. 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 2021, Risk Management section – Liquidity Risk for governance of liquidity risk management, funding strategy and liquidity risk mitigation techniques.
- UOB Annual Report 2021, Note 45 Financial Risk Management section for Balance sheet and off-balance sheet items broken down into maturity buckets and resultant liquidity gaps.

8.2 Average Group All Currency LCR

For the quarter ended 31 March 2022

90 calendar days' data points were used in calculating the average figures.

\$m		Total Unweighted Value Average	Total Weighted Value Average
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		78,967
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	146,439	12,593
3	Stable deposits	37,110	1,855
4	Less stable deposits	109,330	10,738
5	Unsecured wholesale funding, of which:	140,848	69,225
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	33,562	8,092
7	Non-operational deposits (all counterparties)	101,518	55,365
8	Unsecured debt	5,768	5,768
9	Secured wholesale funding		314
10	Additional requirements, of which:	47,808	10,933
11	Outflows related to derivative exposures and other collateral requirements	4,789	3,968
12	Outflows related to loss of funding on debt products	259	259
13	Credit and liquidity facilities	42,760	6,706
14	Other contractual funding obligations	4,813	4,813
15	Other contingent funding obligations	12,051	813
16	TOTAL CASH OUTFLOWS		98,690
CASH INFLOWS			
17	Secured lending (eg reverse repos)	8,875	2,391
18	Inflows from fully performing exposures	47,182	29,276
19	Other cash inflows	6,332	5,925
20	TOTAL CASH INFLOWS	62,389	37,593
		Total Adjusted Value	
21	TOTAL HQLA		78,967
22	TOTAL NET CASH OUTFLOWS		61,097
23	LIQUIDITY COVERAGE RATIO (%)		129

8.3 Average Group SGD Currency LCR

For the quarter ended 31 March 2022

90 calendar days' data points were used in calculating the average figures.

\$m		Total Unweighted Value Average	Total Weighted Value Average
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		28,155
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	102,420	8,540
3	Stable deposits	34,034	1,702
4	Less stable deposits	68,386	6,839
5	Unsecured wholesale funding, of which:	35,030	14,254
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	12,697	2,979
7	Non-operational deposits (all counterparties)	22,208	11,150
8	Unsecured debt	125	125
9	Secured wholesale funding		-
10	Additional requirements, of which:	20,992	7,018
11	Outflows related to derivative exposures and other collateral requirements	5,327	5,265
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	15,666	1,753
14	Other contractual funding obligations	1,219	1,219
15	Other contingent funding obligations	141	82
16	TOTAL CASH OUTFLOWS		31,113
CASH INFLOWS			
17	Secured lending (eg reverse repos)	853	8
18	Inflows from fully performing exposures	12,435	6,815
19	Other cash inflows	17,847	17,680
20	TOTAL CASH INFLOWS	31,135	24,504
		Total Adjusted Value	
21	TOTAL HQLA		28,155
22	TOTAL NET CASH OUTFLOWS		8,249
23	LIQUIDITY COVERAGE RATIO (%)		343

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		