BASEL III CAPITAL ADEQUACY RATIO

Under existing BSP regulations, the determination of the Manila Branch's compliance with regulatory requirements and ratios is based on the amount of its 'unimpaired capital' (regulatory net worth) as reported to the BSP, which is calculated on the basis of regulatory accounting practices which differ from PFRS in some respects.

In addition and on ongoing basis, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than ten percent (10%) on solo basis. Qualifying capital and risk-weighted assets are computed based on BSP regulations. Other minimum capital ratios include CET1 ratio and Tier 1 Capital ratio of 6% and 7.5%, respectively. A capital conservation buffer of two and a half percent (2.5%), comprised of CET1 capital, is also imposed. Per BSP Circular No. 946, a countercyclical capital buffer (CCyB) is also set at 0% subject to upward adjustment to a rate determined by the BSP when systemic conditions warrant but not to exceed 2.5%. Any increase in the CCyB shall be effective 12 months after its announcement, while any decrease is effective immediately. As of report date, the BSP has not imposed any CCyB.

Section 125 of the Manual of Regulations for Banks, Basel III Risk-Based Capital, provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal and commercial banks, as well as subsidiary banks and quasi-banks, in accordance with Basel III standards.

The table below summarizes the capital adequacy ratio (CAR) of the Manila Branch as reported to the BSP as of December 31, 2019 and 2018 (amounts in thousands):

	2019	**2018**
Common Equity Tier 1 (CET1) Capital	2,429,457	2,413,501
Tier 1 Capital	2,429,457	2,413,501
Tier 2 Capital	27,047	16,132
Total Qualifying Capital	2,456,504	2,429,633
Total Risk-Weighted Assets	3,047,831	1,938,117
Capital Adequacy Ratio (CAR)	80.60%	125.36%
Tier 1 Capital Ratio	79.71%	124.53%
CET1 Ratio	79.71%	124.53%

The regulatory qualifying capital of the Manila Branch primarily consists of CET1 capital, which is composed of permanently assigned capital, net unrealized gain or loss on AFS investments and deficit which includes current year profit.

Risk-weighted assets are determined by assigning defined risk weights to amounts of on-balance sheet exposures and to the credit equivalent amounts of off-balance sheet exposures. Certain items are deducted from risk-weighted assets, such as the excess of general loan loss provision over the amount permitted to be included in Tier 2 capital.

The risk-weighted CAR is calculated by dividing the sum of Tier 1 and Tier 2 capital with the risk-weighted assets, determined based on BSP regulations. Other ratios are computed by dividing the applicable capital by the risk-weighted assets.

The Manila Branch has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis.

As of December 31, 2019 and 2018, the Manila Branch has complied with all the capital requirements of the BSP.

BASEL III LEVERAGE RATIO

In accordance with the Basel III standards, BSP Circular No. 881 introduced the Leverage Ratio as a non-risk-based backstop limit to supplement the risk-based capital requirements. The ratio aims to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes which can damage the broader financial system and the economy. The Leverage Ratio is expressed as Tier 1 Capital against Exposure Measure which comprises on- and off-balance sheet items.

Effective July 1, 2018, the BSP requires universal / commercial banks to maintain a leverage ratio, determined based on BSP regulations, of not less than 5.0%. As of December 31, 2019, the Leverage Ratio of the Manila Branch was at 52.95% which is comfortably above the regulatory requirement.

Hereunder data, based on reports submitted to the BSP, are presented using the prescribed BSP templates. Other than the difference arising from the general loan loss provision under BSP regulations, there are no material differences between the total balance sheet assets (net of on-balance sheet derivatives and securities financing transaction assets or "SFTs") as reported in the published financial statements required by the BSP and the Exposure Measure of on-balance sheet items.

Basel III Leverage Ratio Common Disclosure Template
As of December 31, 2019
Amounts in Million Pesos; Ratios in Percent

	Item	Leverage Ratio Framework
	On-balance sheet exposures	
1	On-balance sheet items [1/]	4,588.202
2	(Asset amounts deducted in determining Basel III Tier 1 Capital)	0.000
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**4,588.202**
	Derivative exposures	
4	Replacement Cost associated with all derivatives transactions	0.000
5	Add-on amounts for Potential Future Exposure associated with all derivative transactions	0.000

	Item	Leverage Ratio Framework
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework 2/	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions) 2/	
8	(Exempted CCP leg of client-cleared trade exposures) 2/	
9	Adjusted effective notional amount of written credit derivatives	0.000
10	(Adjusted effective offsets and add-on deductions for written credit derivatives)	
11	**Total derivative exposures (sum of lines 4 to 10)**	**0.000**
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting)	0.000
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)2/	
14	CCR exposures for SFT assets	
15	Agent transaction exposures 3/	
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**0.000**
	Other off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	0.000
18	(Adjustments for conversion to credit equivalent amounts)	
19	**Off-balance sheet items**	**0.000**
	Capital and total exposures	
20	**Tier 1 capital**	**2,429.457**
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**4,588.202**
	Leverage ratio	
22	**Basel III leverage ratio**	**52.95%**

1/ Gross of General Loan Loss Provision (GLLP) and excluding derivatives and SFTs

2/ Not included under the framework

3/ When a bank / non-bank acting as an agent in an SFT provides an indemnity or guarantee to a customer or counterparty for any difference between the value of the security or cash the customer has lent and the value of the collateral the borrower has provided

Summary Comparison of Accounting Assets vs. Leverage Ratio Exposure
As of December 31, 2019
Amounts in Million Pesos

	Item	Leverage Ratio Framework
1	Total consolidated assets as per published financial statements 1/	4,561.155

	Item	Leverage Ratio Framework
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation [2/]	
3	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure [2/]	
4	Adjustments for derivative financial instruments	0.000
5	Adjustments for securities financial transactions (i.e., repos and similar secured lending)	0.000
6	Adjustments for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	0.000
7	Other adjustments	27.047
8	**Leverage ratio exposure [3/]**	**4,588.202**

[1/] Refers to total on-balance sheet assets per quarterly published balance sheet

[2/] Not included under the framework

[3/] Sum of Items 1 to 7, consistent with item 21 of the Basel III Leverage Ratio Common Disclosure Template

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BASEL III LIQUIDITY COVERAGE RATIO

In accordance with the Basel III standards, BSP Circular No. 905 introduced the Liquidity Coverage Ratio (“LCR”) in order to promote short-term resilience of a bank’s liquidity risk profile. The LCR ensures that the bank has sufficient unencumbered high quality liquid assets (“HQLA”) that consist of cash or assets that can be converted into cash at little or no loss of value in the private markets, to offset the net cash outflows it could encounter under a liquidity stress scenario that lasts thirty (30) calendar days.

Effective January 1, 2019, the BSP requires universal / commercial banks to maintain a minimum LCR of 100% at all times. The LCR is calculated based on BSP regulations.

For the year 2019, the quarterly average Single Currency LCR of the Manila Branch was at 1414.67% which is comfortably above the regulatory requirement. Simple average of quarterly data over the said calendar year as reported to the BSP or 4 observations were used in calculating the average figure. The main drivers of the LCR, which were fairly consistent, were the net cumulative outflow primarily driven by the deposit profile (largely concentrated to Net Due to Head Office) and the portfolio of HQLA which would cause some volatility on a day-to-day basis. The HQLA was entirely composed of Level 1 HQLA consisting of cash and balances with the BSP in Philippine peso. The Manila Branch also had HQLA (in cash) and net cumulative outflow in its only other significant currency, the US Dollar, which, when compared to the total, stands at 0.02% and 49%, respectively, as of December 31, 2019.

The Manila Branch is part of UOB Ltd (same entity) incorporated in Singapore. At the branch level, daily liquidity management is centrally managed at Operations with regular discussion with relevant parties, including business and oversight functions at HO. Liquidity limits and triggers are implemented as approved by HO, and the Manila Branch is responsible in monitoring and in ensuring compliance to the same. At the group level, Balance Sheet Risk Management oversees the management of liquidity risk. 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.

Hereunder data, based on reports submitted to the BSP, are presented using the prescribed BSP template.

Liquidity Coverage Ratio Disclosure for the Year 2019
(In Single Currency, Absolute Amount)

	NATURE OF ITEM	TOTAL UNWEIGHTED VALUE 1/ (AVERAGE)	TOTAL WEIGHTED VALUE 2/ (AVERAGE)
STOCK OF HIGH-QUALITY LIQUID ASSETS (HQLA)			
1	**TOTAL STOCK OF HQLA**		**2,206,911,397.07**
EXPECTED CASH OUTFLOWS			
2	**Deposits, of which:**	**1,866,147,225.31**	**530,286,921.85**
3	Retail Funding	197,015,579.15	28,757,444.79
4	Wholesale Funding, of which:	1,669,131,646.15	501,529,477.06
5	*Operational Deposits*	*1,668,003,098.70*	*500,400,929.61*
6	*Non-operational deposits (all counterparties)*	*1,128,547.45*	*1,128,547.45*
7	**Unsecured wholesale funding (all counterparties)**	**0.00**	**0.00**
8	**Secured funding**		**0.00**
9	**Derivatives contracts, of which:**	**0.00**	**0.00**
10	Outflows related to derivatives exposures (net)	0.00	0.00
11	Outflows related to collateral requirements	0.00	0.00
12	**Structured financing instruments**	**0.00**	**0.00**
13	**Committed business facilities (all counterparties)**	**0.00**	**0.00**
14	**Other contractual obligations within a 30-day period**	**0.00**	**0.00**
15	**Other contingent funding obligations**	**693,683,778.75**	**20,810,513.36**
16	**TOTAL EXPECTED CASH OUTFLOWS**		**551,097,435.21**
EXPECTED CASH INFLOWS			
17	**Secured lending**	**459,867,889.62**	**0.00**
18	**Fully performing exposures (all counterparties)**	**779,458,273.60**	**389,729,136.80**
19	**Other cash inflows)**	**42,687,031.16**	**42,687,031.16**
20	**TOTAL EXPECTED CASH INFLOWS**	**1,282,013,194.38**	**432,416,167.96**
			Total Adjusted Value 3/

	NATURE OF ITEM	TOTAL UNWEIGHTED VALUE [1/] (AVERAGE)	TOTAL WEIGHTED VALUE [2/] (AVERAGE)
21	**TOTAL STOCK OF HQLA**		**2,206,911,397.07**
22	**TOTAL EXPECTED NET CASH OUTFLOWS**		**170,501,319.45**
23	**LIQUIDITY COVERAGE RATIO (%)**		**1414.67%**

[1/] Calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows)

[2/] Calculated after the application of respective haircuts (for HQLA) and inflow and outflow rates (for inflows and outflows)

[3/] Calculated after the application of both: (i) the haircuts (for Total HQLA) and inflow and outflow rates (for Total Net Cash Outflows); and (ii) applicable cap and ceiling (i.e., cap on Level 2 assets for HQLA and ceiling on inflows)

BASEL III NET STABLE FUNDING RATIO

In accordance with the Basel III standards, BSP Circular No. 1007 introduced the Net Stable Funding Ratio ("NSFR") in order to promote long-term resilience of a bank against liquidity risk. The NSFR measures the amount of available stable funding relative to the amount of required stable funding in a bank. The bank is required to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. The NSFR complements the LCR which promotes short-term resilience of a bank's liquidity profile.

Effective January 1, 2019, the BSP requires universal / commercial banks to maintain a minimum NSFR of 100% at all times. The NSFR is calculated based on BSP regulations.

The NSFR for December 31, 2019 was at 245% which is comfortably above the minimum requirement of 100%. The main drivers of the NSFR are the composition and profile of capital in relation to loans.

Hereunder data (in Absolute Amount), based on reports submitted to the BSP, are presented.

Available Stable Funding	**3,579,617,783.36**
Capital	2,456,504,262.20
Retail Deposits	189,966,389.11
Wholesale Deposits	262,888,715.08
Secured and Unsecured Funding	0.00
Other Liabilities and Equities	670,258,416.97
Required Stable Funding	**1,463,427,985.04**
NSFR High-Quality Liquid Assets (HQLA)	0.00
Deposits Held at other Financial Institutions	10,309,290.66
Performing Loans and Non-HQLA Securities	1,391,292,777.67

Other assets	58,355,382.66
Off-Balance Sheet Exposures	3,470,534.05
Net Stable Funding Ratio	**245%**