

Pillar 3 Disclosure Report

30 September 2020

United Overseas Bank Limited
Incorporated in the Republic of Singapore

Contents

1	Introduction	3
2	Key Metrics	4
3	Leverage Ratio	5
	3.1 Leverage Ratio Summary Comparison Table	5
	3.2 Leverage Ratio Common Disclosure Template	6
4	Overview of RWA	7
5	Credit Risk	8
	5.1 IRBA – RWA Flow Statement for Credit Risk Exposures	8
6	Counterparty Credit Risk (CCR)	8
	6.1 RWA Flow Statements under CCR internal models method	8
7	Market Risk	8
	7.1 RWA Flow Statements of Market Risk Exposures under IMA	8
8	Liquidity Coverage Ratio Disclosures	9
	8.1 Liquidity Coverage Ratio	9
	8.2 Average Group All Currency LCR	10
	8.3 Average Group SGD Currency LCR	11
9	Abbreviations	12

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		30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Sep 2019
Available capital (amounts)¹						
1	CET1 capital	32,308	32,481	32,748	32,366	31,759
2	Tier 1 capital	34,688	34,860	35,127	34,745	34,637
3	Total capital	40,548	39,592	39,939	39,352	39,171
Risk weighted assets (amounts)¹						
4	Total RWA	230,595	232,037	231,900	226,318	231,610
Risk-based capital ratios as a percentage of RWA						
5	CET1 ratio (%)	14.0	14.0	14.1	14.3	13.7
6	Tier 1 ratio (%)	15.0	15.0	15.1	15.4	15.0
7	Total capital ratio (%)	17.6	17.1	17.2	17.4	16.9
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	0.2	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	2.6	2.6	2.7	2.8
12	CET1 available after meeting the Reporting Bank's minimum capital requirements (%)	7.0	7.0	7.1	7.4	6.9
Leverage Ratio²						
13	Total Leverage Ratio exposure measure	469,563	477,488	475,001	452,859	458,057
14	Leverage Ratio (%) (row 2/ row 13)	7.4	7.3	7.4	7.7	7.6
Liquidity Coverage Ratio						
15	Total High Quality Liquid Assets	69,495	73,323	60,817	57,419	61,140
16	Total net cash outflow	54,578	54,061	43,899	38,859	42,869
17	Liquidity Coverage Ratio (%)	127	136	139	149	144
Net Stable Funding Ratio						
18	Total available stable funding	262,477	258,317	253,901	249,651	244,071
19	Total required stable funding	215,915	217,477	233,779	223,998	227,613
20	Net Stable Funding Ratio (%)	122	119	109	111	107

¹ Year on year, total capital increased from retained earnings, higher subordinated notes and higher eligible provisions, offset by lower perpetual capital securities. RWA was lower largely due to reduction in overall risk weight driven by model enhancements. Total capital was higher quarter on quarter mainly from issuance of US\$600 million subordinated notes, and higher eligible provisions. The lower RWA was largely due to lower asset base.

² As at 30 September 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		30 Sep 2020
1	Total consolidated assets as per published financial statements	422,079
2	Adjustment for investments in entities that are consolidated for accounting purposes but are outside the regulatory scope of consolidation	(596)
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	5,361
5	Adjustment for SFTs	248
6	Adjustment for off-balance sheet items	47,190
7	Other adjustments	(4,719)
8	Exposure measure	469,563

³ Computed using quarter-end balances

3.2 Leverage Ratio Common Disclosure Template

Exposure Measure Components³

\$m		30 Sep 2020	30 Jun 2020
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)	398,453	403,434
2	Asset amounts deducted in determining Tier 1 capital	(4,719)	(4,632)
3	Total exposure measures of on-balance sheet items (excluding derivative transactions and SFTs)	393,734	398,802
Derivative exposure measures			
4	Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins)	11,191	10,661
5	Potential future exposure associated with all derivative transactions	6,438	6,120
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	-	-
10	Further adjustments in effective notional amounts and deductions from potential future exposures of written credit derivatives	-	-
11	Total derivative exposure measures	17,629	16,781
SFT exposure measures			
12	Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting	10,762	13,703
13	Eligible netting of cash payables and cash receivables	-	-
14	SFT counterparty exposures	248	583
15	SFT exposure measures where a Reporting Bank acts as an agent in the SFTs	-	-
16	Total SFT exposure measures	11,010	14,286
Exposure measures of off-balance sheet items			
17	Off-balance sheet items at notional amount	218,971	220,917
18	Adjustments for calculation of exposure measures of off-balance sheet items	(171,781)	(173,298)
19	Total exposure measures of off-balance sheet items	47,190	47,619
Capital and Total exposures			
20	Tier 1 capital	34,688	34,860
21	Total exposures	469,563	477,488
Leverage ratio			
22	Leverage ratio	7.4%	7.3%

³ Computed using quarter-end balances

As at 30 September 2020, the Group's leverage ratio was 7.4%, a 0.1% increase quarter-on-quarter largely driven by lower 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 \$1.4 billion lower quarter-on-quarter mainly due to lower asset base.

\$m		(a)	(b)	(c)	
		RWA			Minimum capital requirements
		As at 30 Sep 2020	As at 30 Jun 2020	As at 30 Sep 2020	
1	Credit risk (excluding CCR)	190,204	192,165	19,020	
2	<i>of which: Standardised Approach</i>	26,113	25,754	2,611	
3	<i>of which: F-IRBA</i>	140,940	142,928	14,094	
4	<i>of which: supervisory slotting approach</i>	4,810	4,589	481	
5	<i>of which: A-IRBA</i>	18,341	18,894	1,834	
6	CCR	3,841	3,964	384	
7	<i>of which: Current Exposure Method</i>	3,012	3,015	301	
8	<i>of which: CCR internal models method</i>	-	-	-	
9	<i>of which: other CCR</i>	334	468	33	
9a	<i>of which: CCP</i>	495	481	50	
10	CVA	2,552	2,624	255	
11	Equity exposures under the simple risk weight method	-	-	-	
11a	Equity exposures under the IMM	-	-	-	
12	Equity investments in funds – look through approach	84	85	8	
13	Equity investments in funds – mandate-based approach	3,300	3,090	330	
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	343	346	34	
17	<i>of which: SEC-IRBA</i>	-	-	-	
18	<i>of which: SEC-ERBA, including IAA</i>	265	264	26	
19	<i>of which: SEC-SA</i>	78	82	8	
20	Market risk	9,907	9,526	991	
21	<i>of which: SA(MR)</i>	9,907	9,526	991	
22	<i>of which: IMA</i>	-	-	-	
23	Operational risk	16,328	16,259	1,633	
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	4,036	3,978	404	
25	Floor adjustment	-	-	-	
26	Total	230,595	232,037	23,060	

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 June 2020, the decrease in Group's RWA was mainly due to slight improvement in asset quality and foreign currency translation.

As at 30 September 2020

		(a)
		RWA amounts
\$m		
1	RWA as at end of previous quarter	166,411
2	Asset size	480
3	Asset quality	(1,640)
4	Model updates	1
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	(1,161)
8	Other	-
9	RWA as at end of quarter	164,091

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.

8.1 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 127% and 301% respectively were comfortably above the regulatory requirements of 100%. 92 calendar days’ data points were used in calculating the average figures. Compared to 2Q2020, decrease in All Currency LCR was mainly due to decrease in HQLA. Decrease in SGD Currency LCR was mainly due to decrease in HQLA; partially offset by decrease in unsecured wholesale funding within 30days. 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%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

8.2 Average Group All Currency LCR

For the quarter ended 30 September 2020

\$m		Total Unweighted Value Average	Total Weighted Value Average
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assests (HQLA)		69,495
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	133,993	11,476
3	Stable deposits	33,880	1,694
4	Less stable deposits	100,113	9,782
5	Unsecured wholesale funding, of which:	120,808	60,985
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	19,688	4,675
7	Non-operational deposits (all counterparties)	96,185	51,376
8	Unsecured debt	4,935	4,935
9	Secured wholesale funding		101
10	Additional requirements, of which:	39,799	9,507
11	Outflows related to derivative exposures and other collateral requirements	6,404	4,029
12	Outflows related to loss of funding on debt products	3	3
13	Credit and liquidity facilities	33,392	5,475
14	Other contractual funding obligations	3,921	3,921
15	Other contingent funding obligations	8,647	632
16	TOTAL CASH OUTFLOWS		86,621
CASH INFLOWS			
17	Secured lending (eg reverse repos)	7,686	2,713
18	Inflows from fully performing exposures	38,901	24,870
19	Other cash inflows	5,632	4,460
20	TOTAL CASH INFLOWS	52,219	32,043
		Total Adjusted Value	
21	TOTAL HQLA		69,495
22	TOTAL NET CASH OUTFLOWS		54,578
23	LIQUIDITY COVERAGE RATIO (%)		127

8.3 Average Group SGD Currency LCR

For the quarter ended 30 September 2020

\$m		Total Unweighted Value Average	Total Weighted Value Average
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		30,338
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	92,141	7,665
3	Stable deposits	30,987	1,549
4	Less stable deposits	61,154	6,115
5	Unsecured wholesale funding, of which:	33,860	14,679
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	7,909	1,806
7	Non-operational deposits (all counterparties)	25,799	12,720
8	Unsecured debt	152	152
9	Secured wholesale funding		-
10	Additional requirements, of which:	17,912	6,574
11	Outflows related to derivative exposures and other collateral requirements	5,496	5,167
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	12,415	1,407
14	Other contractual funding obligations	1,011	1,011
15	Other contingent funding obligations	147	82
16	TOTAL CASH OUTFLOWS		30,011
CASH INFLOWS			
17	Secured lending (eg reverse repos)	660	-
18	Inflows from fully performing exposures	9,494	5,232
19	Other cash inflows	14,784	14,590
20	TOTAL CASH INFLOWS	24,938	19,821
		Total Adjusted Value	
21	TOTAL HQLA		30,338
22	TOTAL NET CASH OUTFLOWS		10,194
23	LIQUIDITY COVERAGE RATIO (%)		301

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		