



Pillar 3 Disclosure Report

31 March 2018

United Overseas Bank Limited
Incorporated in the Republic of Singapore



Contents

1	INTRODUCTION.....	3
2	KEY METRICS	4
3	LEVERAGE RATIO	5
4	OVERVIEW OF RWA.....	7
5	IRBA – RWA FLOW STATEMENT FOR CREDIT RISK EXPOSURES	8
6	SUMMARY OF DISCLOSURE EXCLUDED.....	8
7	ABBREVIATIONS.....	9

Notes:

- 1 The pillar 3 disclosure report are 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"), 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", comprises mandatory disclosures of the Group's capital composition, leverage ratio and an overview of the Group's risk weighted assets.

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. For capital adequacy ratios of the Group's major bank subsidiaries, please refer to the Group Financial Report, available on UOB website www.UOBGroup.com/investor/financial/overview.html.

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 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017
Available capital (amounts)¹						
1	CET1 capital	30,206	30,134	29,392	28,821	27,927
2	Tier 1 capital	33,182	32,220	30,616	30,026	29,131
3	Total capital	37,986	37,348	36,636	37,292	36,424
Risk weighted assets (amounts)						
4	Total RWA ²	202,286	199,481	206,169	209,276	211,139
Risk-based capital ratios as a percentage of RWA						
5	CET1 ratio (%)	14.9	15.1	14.3	13.8	13.2
6	Tier 1 ratio (%)	16.4	16.2	14.9	14.3	13.8
7	Total capital ratio (%)	18.8	18.7	17.8	17.8	17.3
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	1.875	1.25	1.25	1.25	1.25
9	Countercyclical buffer requirement (%)	0.2	0.1	0.1	0.1	0.1
10	Bank G-SIB and/or D-SIB additional requirement (%)	-	-	-	-	-
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.0	1.4	1.3	1.3	1.3
12	CET1 available after meeting the Reporting Bank's minimum capital requirements (%)	8.4	8.2	6.8	6.3	5.8
Leverage Ratio						
13	Total Leverage Ratio exposure measure	406,608	400,803	396,451	385,816	384,439
14	Leverage Ratio (%) (row 2/ row 13)	8.2	8.0	7.7	7.8	7.6
Liquidity Coverage Ratio						
15	Total High Quality Liquid Assets	42,773	39,255	39,471	40,809	43,409
16	Total net cash outflow	33,524	29,253	27,909	26,199	28,491
17	Liquidity Coverage Ratio ³ (%)	128	135	142	157	154
Net Stable Funding Ratio⁴						
18	Total available stable funding	218,198	-	-	-	-
19	Total required stable funding	197,079	-	-	-	-
20	Net Stable Funding Ratio (%)	111	-	-	-	-

¹ Higher total capital was mainly due to retained earnings over the period

² For significant RWA movements between 31 Mar 2018 and 31 Dec 2017, please refer to the "Overview of RWA" on page 7

³ For Liquidity Coverage Ratio details, please refer to UOB's website at www.UOBGroup.com/investor/financial/overview.html

⁴ Net Stable Funding Ratio is effective January 2018

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.

As at 31 March 2018, the Group's leverage ratio was 8.2%, up by 0.1% quarter-on-quarter, primarily from higher Tier 1 capital.

\$m	31 Mar 2018	31 Dec 2017	30 Sep 2017	30 Jun 2017
Tier 1 capital	33,182	32,220	30,616	30,026
Exposure measure	406,608	400,803	396,451	385,816
Leverage ratio	8.2%	8.0%	7.7%	7.8%

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

Reconciliation of Balance Sheet Assets to Exposure Measure

\$m		31 Mar 2018
1	Total consolidated assets as per published financial statements	364,455
2	Adjustment for investments in entities that are consolidated for accounting purposes but are outside the regulatory scope of consolidation	(588)
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	5,041
5	Adjustment for SFTs	396
6	Adjustment for off-balance sheet items	41,836
7	Other adjustments	(4,532)
8	Exposure measure	406,608

3 LEVERAGE RATIO (cont'd)

Exposure Measure Components

\$m		31 Mar 2018	31 Dec 2017
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)	343,073	339,951
2	Asset amounts deducted in determining Tier 1 capital	(4,532)	(4,470)
3	Total exposure measures of on-balance sheet items (excluding derivative transactions and SFTs)	338,541	335,481
Derivative exposure measures			
4	Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins)	5,634	4,573
5	Potential future exposure associated with all derivative transactions	6,013	6,082
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	225	230
10	Further adjustments in effective notional amounts and deductions from potential future exposures of written credit derivatives	-	-
11	Total derivative exposure measures	11,872	10,885
SFT exposure measures			
12	Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting	13,963	12,346
13	Eligible netting of cash payables and cash receivables	-	-
14	SFT counterparty exposures	396	210
15	SFT exposure measures where a Reporting Bank acts as an agent in the SFTs	-	-
16	Total SFT exposure measures	14,359	12,556
Exposure measures of off-balance sheet items			
17	Off-balance sheet items at notional amount	185,003	187,533
18	Adjustments for calculation of exposure measures of off-balance sheet items	(143,167)	(145,652)
19	Total exposure measures of off-balance sheet items	41,836	41,881
Capital and Total exposures			
20	Tier 1 capital	33,182	32,220
21	Total exposures	406,608	400,803
Leverage ratio			
22	Leverage ratio	8.2%	8.0%

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.

The Group's RWA comprises credit RWA (88.5%), operational RWA (7.0%) and market RWA (4.5%). Total RWA at 31 March 2018 was \$202.3 billion, or \$2.8 billion higher quarter-on-quarter mainly due to asset growth.

\$m		(a)	(b)	(c)
		RWA		Minimum capital requirements
		As at 31 Mar 2018 ⁵	As at 31 Dec 2017	As at 31 Mar 2018
1	Credit risk (excluding CCR)	160,089	158,130	16,009
2	<i>of which SA(CR) and SA(EQ)</i>	18,689	20,249	1,869
3	<i>of which IRBA and IRBA(EQ) for equity exposures under the PD/LGD method</i>	141,399	137,881	14,140
4	CCR	5,033	4,237	503
5	<i>of which Current Exposure Method</i>	2,470	2,442	247
6	<i>of which CCR Internal Models Method</i>	-	-	-
7	IRBA(EQ) for equity exposures under the simple risk weight method or the IMM	4,604	4,640	460
8	Equity investments in funds – look through approach	94	239	9
9	Equity investments in funds – mandate-based approach	2,755	2,853	276
10	Equity investments in funds – fall back approach	0	1	0
10a	Equity investment in funds – partial use of an approach	-	-	-
11	Unsettled transactions	-	-	-
12	Securitisation exposures in the banking book	206	175	21
13	<i>of which SEC-IRBA</i>	-	-	-
14	<i>of which SEC-ERBA Including IAA</i>	70	-	7
15	<i>of which SEC-SA</i>	-	-	-
16	Market risk	9,171	9,424	917
17	<i>of which SA(MR)</i>	9,171	9,424	917
18	<i>of which IMA</i>	-	-	-
19	Operational risk	14,087	13,819	1,409
20	<i>of which BIA</i>	-	-	-
21	<i>of which SA(OR)</i>	14,087	13,819	1,409
22	<i>of which AMA</i>	-	-	-
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	6,247	5,963	625
24	Floor adjustment	-	-	-
25	Total	202,286	199,481	20,229

⁵ RWA on securitisation exposures in the banking book is calculated based on revisions to the MAS Notice 637 which were effective 1 January 2018.

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 by \$3.5 billion quarter-on-quarter mainly driven by broad-based loan growth across most territories.

		(a)
		RWA amounts
\$m		
1	RWA as at 31 Dec 2017	137,881
2	Asset size	2,328
3	Asset quality	1,301
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	(111)
8	Other	-
9	RWA as at 31 Mar 2018	141,399

6 SUMMARY OF DISCLOSURE EXCLUDED

<u>Disclosures Description</u>	<u>Rationale</u>
RWA flow statements of 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

7 ABBREVIATIONS

The following abbreviated terms are used throughout this document.

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

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(SE)	Standardised Approach for Securitisation Exposures
SA(MR)	Standardised Approach to Market Risk
SA(OR)	Standardised Approach to Operational Risk
SE	Securitisation Exposures
SF	Supervisory Formula
SFRS	Singapore Financial Reporting Standards
SFTs	Securities Financing Transactions
SME	Small-and Medium-sized Enterprises

T

T1 capital	Tier 1 capital
T2 capital	Tier 2 capital
TEP	Total Eligible Provisions

V

VaR	Value at Risk
-----	---------------