

Pillar 3 Disclosure Report

31 March 2021

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 "#".

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		31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020
Available capital (amounts)¹						
1	CET1 capital	33,860	33,231	32,308	32,481	32,748
2	Tier 1 capital	36,389	35,610	34,688	34,860	35,127
3	Total capital	42,349	41,390	40,548	39,592	39,939
Risk weighted assets (amounts)¹						
4	Total RWA	236,008	225,441	230,595	232,037	231,900
Risk-based capital ratios as a percentage of RWA						
5	CET1 ratio (%)	14.3	14.7	14.0	14.0	14.1
6	Tier 1 ratio (%)	15.4	15.8	15.0	15.0	15.1
7	Total capital ratio (%)	17.9	18.4	17.6	17.1	17.2
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 (%)	7.4	7.8	7.0	7.0	7.1
Leverage Ratio²						
13	Total Leverage Ratio exposure measure	488,377	478,233	469,563	477,488	475,001
14	Leverage Ratio (%) (row 2/ row 13)	7.5	7.4	7.4	7.3	7.4
Liquidity Coverage Ratio						
15	Total High Quality Liquid Assets	77,519	71,722	69,495	73,323	60,817
16	Total net cash outflow	55,846	51,554	54,578	54,061	43,899
17	Liquidity Coverage Ratio (%)	139	139	127	136	139
Net Stable Funding Ratio						
18	Total available stable funding	270,883	271,103	262,477	258,317	253,901
19	Total required stable funding	223,764	217,444	215,915	217,477	233,779
20	Net Stable Funding Ratio (%)	121	125	122	119	109

¹ The Group's CET1, Tier 1 and Total CAR as at 31 March 2021 remained well above the regulatory minimum requirements. Compared with last quarter and against the same quarter last year, total capital increased mainly from retained earnings, issuance of perpetual capital securities and higher eligible provisions. RWA grew quarter on quarter primarily on corporate loan growth. Year on year, RWA was higher largely due to higher asset base.

² As at 31 March 2021, the Group's leverage ratio was 7.5%, 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 2021
1	Total consolidated assets as per published financial statements	440,749
2	Adjustment for investments in entities that are consolidated for accounting purposes but are outside the regulatory scope of consolidation	(610)
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	4,580
5	Adjustment for SFTs	339
6	Adjustment for off-balance sheet items	48,022
7	Other adjustments	(4,703)
8	Exposure measure	488,377

³ Computed using quarter-end balances

3.2 Leverage Ratio Common Disclosure Template

Exposure Measure Components³

\$m		31 Mar 2021	31 Dec 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)	417,833	403,618
2	Asset amounts deducted in determining Tier 1 capital	(4,703)	(4,701)
3	Total exposure measures of on-balance sheet items (excluding derivative transactions and SFTs)	413,130	398,917
Derivative exposure measures			
4	Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins)	7,057	9,622
5	Potential future exposure associated with all derivative transactions	5,797	5,268
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	12,854	14,890
SFT exposure measures			
12	Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting	14,032	16,298
13	Eligible netting of cash payables and cash receivables	-	-
14	SFT counterparty exposures	339	757
15	SFT exposure measures where a Reporting Bank acts as an agent in the SFTs	-	-
16	Total SFT exposure measures	14,371	17,055
Exposure measures of off-balance sheet items			
17	Off-balance sheet items at notional amount	215,717	219,925
18	Adjustments for calculation of exposure measures of off-balance sheet items	(167,695)	(172,554)
19	Total exposure measures of off-balance sheet items	48,022	47,371
Capital and Total exposures			
20	Tier 1 capital	36,389	35,610
21	Total exposures	488,377	478,233
Leverage ratio			
22	Leverage ratio	7.5%	7.4%

³ Computed using quarter-end balances

As at 31 March 2021 the Group's leverage ratio was 7.5%, a 0.1% increase quarter-on-quarter mainly driven by 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 was \$10.6 billion higher quarter-on-quarter mainly driven by higher credit RWA arising from loan growth.

\$m		(a)	(b)	(c)
		RWA		Minimum capital requirements
		As at 31 Mar 2021	As at 31 Dec 2020	As at 31 Mar 2021
1	Credit risk (excluding CCR)	192,565	185,476	19,256
2	<i>of which: Standardised Approach</i>	27,436	26,268	2,744
3	<i>of which: F-IRBA</i>	142,318	136,324	14,232
4	<i>of which: supervisory slotting approach</i>	5,021	4,724	502
5	<i>of which: A-IRBA</i>	17,790	18,160	1,779
6	CCR	3,999	4,052	400
7	<i>of which: Current Exposure Method</i>	3,086	3,181	309
8	<i>of which: CCR internal models method</i>	-	-	-
9	<i>of which: other CCR</i>	660	511	66
9a	<i>of which: CCP</i>	253	360	25
10	CVA	2,022	2,491	202
11	Equity exposures under the simple risk weight method	-	-	-
11a	Equity exposures under the IMM	-	-	-
12	Equity investments in funds – look through approach	52	53	5
13	Equity investments in funds – mandate-based approach	3,371	3,152	337
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	387	357	39
17	<i>of which: SEC-IRBA</i>	-	-	-
18	<i>of which: SEC-ERBA, including IAA</i>	302	284	30
19	<i>of which: SEC-SA</i>	85	73	9
20	Market risk	10,616	9,426	1,062
21	<i>of which: SA(MR)</i>	10,616	9,426	1,062
22	<i>of which: IMA</i>	-	-	-
23	Operational risk	16,276	16,336	1,628
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	4,191	4,098	419
25	Floor adjustment	2,529	-	253
26	Total	236,008	225,441	23,601

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 31 December 2020, the increase in Group's RWA was mainly due to loan growth.

As at 31 March 2021

\$m		(a)
		RWA amounts
1	RWA as at end of previous quarter	159,208
2	Asset size	7,049
3	Asset quality	(1,542)
4	Model updates	(196)
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	610
8	Other	-
9	RWA as at end of quarter	165,129

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 139% and 274% respectively were comfortably above the regulatory requirements of 100%. 90 calendar days’ data points were used in calculating the average figures. Compared to 4Q2020, All Currency LCR remained relatively unchanged while increase in SGD Currency LCR was mainly due to increase 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 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 2020, Risk Management section – Liquidity Risk for governance of liquidity risk management, funding strategy and liquidity risk mitigation techniques.
- UOB Annual Report 2020, 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

For the quarter ended 31 March 2021

\$m		Total Unweighted Value Average	Total Weighted Value Average
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		77,519
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	138,371	11,832
3	Stable deposits	35,329	1,766
4	Less stable deposits	103,042	10,065
5	Unsecured wholesale funding, of which:	122,603	62,410
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	21,078	4,996
7	Non-operational deposits (all counterparties)	96,178	52,067
8	Unsecured debt	5,347	5,347
9	Secured wholesale funding		197
10	Additional requirements, of which:	39,264	9,701
11	Outflows related to derivative exposures and other collateral requirements	5,558	4,183
12	Outflows related to loss of funding on debt products	262	262
13	Credit and liquidity facilities	33,444	5,256
14	Other contractual funding obligations	4,992	4,992
15	Other contingent funding obligations	10,716	717
16	TOTAL CASH OUTFLOWS		89,849
CASH INFLOWS			
17	Secured lending (eg reverse repos)	9,347	3,098
18	Inflows from fully performing exposures	41,445	26,065
19	Other cash inflows	5,932	4,839
20	TOTAL CASH INFLOWS	56,725	34,002
			Total Adjusted Value
21	TOTAL HQLA		77,519
22	TOTAL NET CASH OUTFLOWS		55,846
23	LIQUIDITY COVERAGE RATIO (%)		139

8.3 Average Group SGD Currency LCR

For the quarter ended 31 March 2021

\$m		Total Unweighted Value Average	Total Weighted Value Average
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		36,494
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	95,846	7,977
3	Stable deposits	32,160	1,608
4	Less stable deposits	63,685	6,369
5	Unsecured wholesale funding, of which:	33,059	14,438
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	8,518	1,947
7	Non-operational deposits (all counterparties)	24,469	12,419
8	Unsecured debt	72	72
9	Secured wholesale funding		-
10	Additional requirements, of which:	15,816	5,359
11	Outflows related to derivative exposures and other collateral requirements	4,340	4,091
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	11,476	1,268
14	Other contractual funding obligations	1,036	1,036
15	Other contingent funding obligations	157	77
16	TOTAL CASH OUTFLOWS		28,887
CASH INFLOWS			
17	Secured lending (eg reverse repos)	527	1
18	Inflows from fully performing exposures	9,718	5,276
19	Other cash inflows	10,368	10,200
20	TOTAL CASH INFLOWS	20,614	15,477
		Total Adjusted Value	
21	TOTAL HQLA		36,494
22	TOTAL NET CASH OUTFLOWS		13,410
23	LIQUIDITY COVERAGE RATIO (%)		274

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		