

Pillar 3 Disclosure Report

30 September 2021

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.

\$m		30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020
Available capital (amounts)¹						
1	CET1 capital	34,144	34,323	33,860	33,231	32,308
2	Tier 1 capital	36,524	36,702	36,389	35,610	34,688
3	Total capital	42,589	43,613	42,349	41,390	40,548
Risk weighted assets (amounts)¹						
4	Total RWA	252,810	241,090	236,008	225,441	230,595
Risk-based capital ratios as a percentage of RWA						
5	CET1 ratio (%)	13.5	14.2	14.3	14.7	14.0
6	Tier 1 ratio (%)	14.4	15.2	15.4	15.8	15.0
7	Total capital ratio (%)	16.8	18.1	17.9	18.4	17.6
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 (%)	6.4	7.2	7.4	7.8	7.0
Leverage Ratio²						
13	Total Leverage Ratio exposure measure	512,305	498,595	488,377	478,233	469,563
14	Leverage Ratio (%) (row 2/ row 13)	7.1	7.4	7.5	7.4	7.4
Liquidity Coverage Ratio						
15	Total High Quality Liquid Assets	77,039	78,514	77,519	71,722	69,495
16	Total net cash outflow	55,952	59,801	55,846	51,554	54,578
17	Liquidity Coverage Ratio (%)	138	131	139	139	127
Net Stable Funding Ratio						
18	Total available stable funding	290,972	281,497	270,883	271,103	262,477
19	Total required stable funding	232,609	228,861	223,764	217,444	215,915
20	Net Stable Funding Ratio (%)	125	123	121	125	122

¹ The Group's CET1, Tier 1 and Total CAR as at 30 September 2021 were well above the regulatory minimum requirements. Year on year, total capital increased mainly from retained earnings and higher eligible provisions. RWA was higher largely due to asset growth. Total capital was lower quarter on quarter as earnings for the quarter was offset by payment of dividends and redemption of Tier 2 subordinated notes. The higher RWA was driven primarily by corporate loan growth.

² As at 30 September 2021, the Group's leverage ratio was 7.1%, 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 2021
1	Total consolidated assets as per published financial statements	457,659
2	Adjustment for investments in entities that are consolidated for accounting purposes but are outside the regulatory scope of consolidation	(601)
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	5,009
5	Adjustment for SFTs	708
6	Adjustment for off-balance sheet items	54,245
7	Other adjustments	(4,715)
8	Exposure measure	512,305

³ Computed using quarter-end balances

3.2 Leverage Ratio Common Disclosure Template

Exposure Measure Components³

\$m		30 Sep 2021	30 Jun 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)	439,689	423,712
2	Asset amounts deducted in determining Tier 1 capital	(4,715)	(4,725)
3	Total exposure measures of on-balance sheet items (excluding derivative transactions and SFTs)	434,974	418,987
Derivative exposure measures			
4	Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins)	5,176	6,106
5	Potential future exposure associated with all derivative transactions	5,946	5,902
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	5	4
10	Further adjustments in effective notional amounts and deductions from potential future exposures of written credit derivatives	-	-
11	Total derivative exposure measures	11,127	12,012
SFT exposure measures			
12	Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting	11,251	15,149
13	Eligible netting of cash payables and cash receivables	-	-
14	SFT counterparty exposures	708	901
15	SFT exposure measures where a Reporting Bank acts as an agent in the SFTs	-	-
16	Total SFT exposure measures	11,959	16,050
Exposure measures of off-balance sheet items			
17	Off-balance sheet items at notional amount	231,102	223,430
18	Adjustments for calculation of exposure measures of off-balance sheet items	(176,857)	(171,884)
19	Total exposure measures of off-balance sheet items	54,245	51,546
Capital and Total exposures			
20	Tier 1 capital	36,524	36,702
21	Total exposures	512,305	498,595
Leverage ratio			
22	Leverage ratio	7.1%	7.4%

³ Computed using quarter-end balances

As at 30 September 2021 the Group's leverage ratio was 7.1%, a 0.3% decrease quarter-on-quarter mainly driven by higher exposures.

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 \$11.7 billion higher quarter-on-quarter mainly due to higher credit RWA from corporate loan growth.

\$m		(a)	(b)	(c)
		RWA		Minimum capital requirements
		As at 30 Sep 2021	As at 30 Jun 2021	As at 30 Sep 2021
1	Credit risk (excluding CCR)	209,993	199,226	20,999
2	<i>of which: Standardised Approach</i>	31,392	29,131	3,139
3	<i>of which: F-IRBA</i>	156,788	147,822	15,679
4	<i>of which: supervisory slotting approach</i>	4,802	4,827	480
5	<i>of which: A-IRBA</i>	17,011	17,446	1,701
6	CCR	3,636	3,879	364
7	<i>of which: Current Exposure Method</i>	2,897	2,866	290
8	<i>of which: CCR internal models method</i>	-	-	-
9	<i>of which: other CCR</i>	597	840	60
9a	<i>of which: CCP</i>	142	173	14
10	CVA	1,862	2,076	186
11	Equity exposures under the simple risk weight method	-	-	-
11a	Equity exposures under the IMM	-	-	-
12	Equity investments in funds – look through approach	54	52	5
13	Equity investments in funds – mandate-based approach	3,818	3,472	382
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	394	398	39
17	<i>of which: SEC-IRBA</i>	-	-	-
18	<i>of which: SEC-ERBA, including IAA</i>	337	340	34
19	<i>of which: SEC-SA</i>	57	58	5
20	Market risk	12,465	11,439	1,247
21	<i>of which: SA(MR)</i>	12,465	11,439	1,247
22	<i>of which: IMA</i>	-	-	-
23	Operational risk	16,357	16,342	1,636
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	4,231	4,206	423
25	Floor adjustment	-	-	-
26	Total	252,810	241,090	25,281

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 2021, the Group's RWA increased mainly due to loan growth.

As at 30 September 2021

		(a)
		RWA amounts
\$m		
1	RWA as at end of previous quarter	170,095
2	Asset size	6,468
3	Asset quality	2,174
4	Model updates	(9)
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	(127)
8	Other	-
9	RWA as at end of quarter	178,601

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 138% and 360% respectively were comfortably above the regulatory requirements of 100%. Compared to 2Q2021, increase in All Currency LCR was mainly due to decrease in outflows from unsecured wholesale funding within 30days partially offset by decrease in HQLA. Increase in SGD Currency LCR was mainly due to increase in other cash inflows 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 92%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

8.2 Average Group All Currency LCR

For the quarter ended 30 September 2021

92 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)		77,039
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	140,258	12,031
3	Stable deposits	36,431	1,822
4	Less stable deposits	103,826	10,209
5	Unsecured wholesale funding, of which:	127,649	63,475
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	27,264	6,529
7	Non-operational deposits (all counterparties)	95,484	52,046
8	Unsecured debt	4,901	4,901
9	Secured wholesale funding		164
10	Additional requirements, of which:	42,690	9,285
11	Outflows related to derivative exposures and other collateral requirements	3,450	3,085
12	Outflows related to loss of funding on debt products	2	2
13	Credit and liquidity facilities	39,238	6,198
14	Other contractual funding obligations	5,074	5,074
15	Other contingent funding obligations	11,243	749
16	TOTAL CASH OUTFLOWS		90,778
CASH INFLOWS			
17	Secured lending (eg reverse repos)	6,804	2,138
18	Inflows from fully performing exposures	46,063	28,290
19	Other cash inflows	5,268	4,399
20	TOTAL CASH INFLOWS	58,135	34,826
		Total Adjusted Value	
21	TOTAL HQLA		77,039
22	TOTAL NET CASH OUTFLOWS		55,952
23	LIQUIDITY COVERAGE RATIO (%)		138

8.3 Average Group SGD Currency LCR

For the quarter ended 30 September 2021

92 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)		33,513
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	99,125	8,254
3	Stable deposits	33,170	1,658
4	Less stable deposits	65,956	6,596
5	Unsecured wholesale funding, of which:	33,205	13,917
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	10,821	2,515
7	Non-operational deposits (all counterparties)	22,296	11,315
8	Unsecured debt	88	88
9	Secured wholesale funding		-
10	Additional requirements, of which:	18,752	5,917
11	Outflows related to derivative exposures and other collateral requirements	4,531	4,391
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	14,222	1,525
14	Other contractual funding obligations	1,088	1,088
15	Other contingent funding obligations	153	76
16	TOTAL CASH OUTFLOWS		29,252
CASH INFLOWS			
17	Secured lending (eg reverse repos)	553	0
18	Inflows from fully performing exposures	11,500	6,260
19	Other cash inflows	13,674	13,510
20	TOTAL CASH INFLOWS	25,728	19,769
		Total Adjusted Value	
21	TOTAL HQLA		33,513
22	TOTAL NET CASH OUTFLOWS		9,488
23	LIQUIDITY COVERAGE RATIO (%)		360

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		