

# Pillar 3 Disclosure Report

## 30 September 2018

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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 "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. 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-relations/financial/index.html](http://www.uobgroup.com/investor-relations/financial/index.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		30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017
<b>Available capital (amounts)<sup>1</sup></b>						
1	CET1 capital	29,902	29,921	30,206	30,134	29,392
2	Tier 1 capital	32,030	32,897	33,182	32,220	30,616
3	Total capital	36,895	37,803	37,986	37,348	36,636
<b>Risk weighted assets (amounts)<sup>1</sup></b>						
4	Total RWA	212,502	205,704	202,286	199,481	206,169
<b>Risk-based capital ratios as a percentage of RWA</b>						
5	CET1 ratio (%)	14.1	14.5	14.9	15.1	14.3
6	Tier 1 ratio (%)	15.1	16.0	16.4	16.2	14.9
7	Total capital ratio (%)	17.4	18.4	18.8	18.7	17.8
<b>Additional CET1 buffer requirements as a percentage of RWA</b>						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	1.875	1.875	1.875	1.25	1.25
9	Countercyclical buffer requirement (%)	0.2	0.2	0.2	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)	2.1	2.1	2.0	1.4	1.3
12	CET1 available after meeting the Reporting Bank's minimum capital requirements (%)	7.1	8.0	8.4	8.2	6.8
<b>Leverage Ratio<sup>1</sup></b>						
13	Total Leverage Ratio exposure measure	430,329	428,845	406,608	400,803	396,451
14	Leverage Ratio (%) (row 2/ row 13)	7.4	7.7	8.2	8.0	7.7
<b>Liquidity Coverage Ratio</b>						
15	Total High Quality Liquid Assets	45,706	44,722	42,773	39,255	39,471
16	Total net cash outflow	32,385	31,627	33,524	29,253	27,909
17	Liquidity Coverage Ratio <sup>1</sup> (%)	142	142	128	135	142
<b>Net Stable Funding Ratio<sup>2</sup></b>						
18	Total available stable funding	230,052	224,709	218,198	-	-
19	Total required stable funding	209,023	205,090	197,079	-	-
20	Net Stable Funding Ratio <sup>1</sup> (%)	110	110	111	-	-

<sup>1</sup> For Capital Adequacy, Leverage, Liquidity Coverage and Net Stable Funding Ratios' commentaries, please refer to the Group Financial Report and Liquidity Coverage Ratio Disclosure available on UOB website at [www.uobgroup.com/investor-relations/financial/index.html](http://www.uobgroup.com/investor-relations/financial/index.html).

<sup>2</sup> Net Stable Funding Ratio requirement 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 30 September 2018, the Group's leverage ratio was 7.4%, down 0.2% quarter-on-quarter, primarily from lower Tier 1 capital.

\$m	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017
<b>Tier 1 capital</b>	<b>32,030</b>	32,897	33,182	32,220
<b>Exposure measure</b>	<b>430,329</b>	428,845	406,608	400,803
<b>Leverage ratio</b>	<b>7.4%</b>	7.7%	8.2%	8.0%

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		30 Sep 2018
1	Total consolidated assets as per published financial statements	382,638
2	Adjustment for investments in entities that are consolidated for accounting purposes but are outside the regulatory scope of consolidation	(594)
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	4,749
5	Adjustment for SFTs	445
6	Adjustment for off-balance sheet items	47,557
7	Other adjustments	(4,467)
<b>8</b>	<b>Exposure measure</b>	<b>430,329</b>

### 3 LEVERAGE RATIO (cont'd)

#### Exposure Measure Components

\$m		30 Sep 2018	30 Jun 2018
<b>Exposure measures of on-balance sheet items</b>			
1	On-balance sheet items (excluding derivative transactions and SFTs, but including on-balance sheet collateral for derivative transactions or SFTs)	357,704	359,395
2	Asset amounts deducted in determining Tier 1 capital	(4,467)	(4,602)
3	<b>Total exposure measures of on-balance sheet items</b> (excluding derivative transactions and SFTs)	<b>353,237</b>	<b>354,793</b>
<b>Derivative exposure measures</b>			
4	Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins)	5,188	5,303
5	Potential future exposure associated with all derivative transactions	5,976	5,773
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	235	235
10	Further adjustments in effective notional amounts and deductions from potential future exposures of written credit derivatives	-	-
11	<b>Total derivative exposure measures</b>	<b>11,399</b>	<b>11,310</b>
<b>SFT exposure measures</b>			
12	Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting	17,691	17,111
13	Eligible netting of cash payables and cash receivables	-	-
14	SFT counterparty exposures	445	324
15	SFT exposure measures where a Reporting Bank acts as an agent in the SFTs	-	-
16	<b>Total SFT exposure measures</b>	<b>18,135</b>	<b>17,435</b>
<b>Exposure measures of off-balance sheet items</b>			
17	Off-balance sheet items at notional amount	204,399	197,368
18	Adjustments for calculation of exposure measures of off-balance sheet items	(156,841)	(152,062)
19	<b>Total exposure measures of off-balance sheet items</b>	<b>47,557</b>	<b>45,307</b>
<b>Capital and Total exposures</b>			
20	<b>Tier 1 capital</b>	<b>32,030</b>	<b>32,897</b>
21	<b>Total exposures</b>	<b>430,329</b>	<b>428,845</b>
<b>Leverage ratio</b>			
22	<b>Leverage ratio</b>	<b>7.4%</b>	<b>7.7%</b>

#### 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 (6.9%) and market RWA (4.6%). Total RWA at 30 September 2018 was \$212.5 billion, or \$6.8 billion higher quarter-on-quarter mainly due to loan growth.

\$m		(a)	(b)	(c)
		RWA		Minimum capital requirements
		As at 30 Sep 2018	As at 30 June 2018	As at 30 Sep 2018
1	<b>Credit risk (excluding CCR)</b>	<b>175,132</b>	<b>169,012</b>	<b>17,513</b>
2	<i>of which SA(CR) and SA(EQ)</i>	22,486	22,005	2,249
3	<i>of which IRBA and IRBA(EQ) for equity exposures under the PD/LGD method</i>	152,646	147,007	15,265
4	<b>CCR</b>	<b>4,303</b>	<b>4,373</b>	<b>430</b>
5	<i>of which Current Exposure Method</i>	2,000	2,209	200
6	<i>of which CCR Internal Models Method</i>	-	-	-
7	<b>IRBA(EQ) for equity exposures under the simple risk weight method or the IMM</b>	-	-	-
8	<b>Equity investments in funds – look through approach</b>	<b>140</b>	<b>169</b>	<b>14</b>
9	<b>Equity investments in funds – mandate-based approach</b>	<b>2,547</b>	<b>2,331</b>	<b>255</b>
10	<b>Equity investments in funds – fall back approach</b>	<b>0</b>	<b>0</b>	<b>0</b>
10a	<b>Equity investment in funds – partial use of an approach</b>	-	-	-
11	<b>Unsettled transactions</b>	-	-	-
12	<b>Securitisation exposures in the banking book</b>	<b>226</b>	<b>163</b>	<b>23</b>
13	<i>of which SEC-IRBA</i>	-	-	-
14	<i>of which SEC-ERBA Including IAA</i>	106	69	11
15	<i>of which SEC-SA</i>	26	-	3
16	<b>Market risk</b>	<b>9,817</b>	<b>9,550</b>	<b>982</b>
17	<i>of which SA(MR)</i>	9,817	9,550	982
18	<i>of which IMA</i>	-	-	-
19	<b>Operational risk</b>	<b>14,652</b>	<b>14,344</b>	<b>1,465</b>
20	<i>of which BIA</i>	-	-	-
21	<i>of which SA(OR)</i>	14,652	14,344	1,465
22	<i>of which AMA</i>	-	-	-
23	<b>Amounts below the thresholds for deduction (subject to 250% risk weight)</b>	<b>5,685</b>	<b>5,761</b>	<b>568</b>
24	<b>Floor adjustment</b>	-	-	-
25	<b>Total</b>	<b>212,502</b>	<b>205,704</b>	<b>21,250</b>

## 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 \$5.6 billion quarter-on-quarter, mainly due to loan growth.

		(a)
		RWA amounts
\$m		
<b>1</b>	<b>RWA as at end of previous quarter</b>	<b>147,007</b>
2	Asset size	3,516
3	Asset quality	2,218
4	Model updates	50
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	(144)
8	Other	-
<b>9</b>	<b>RWA as at end of quarter</b>	<b>152,646</b>

## 6 SUMMARY OF DISCLOSURE EXCLUDED

<u>Disclosures Description</u>	<u>Rationale</u>
RWA flow statements of under CCR IMM	UOB not using CCR IMM
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.

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

**Q**

QRRE	Qualifying Revolving Retail Exposures
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**R**

RBM	Ratings-Based Method
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RW	Risk Weight
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RWA	Risk-Weighted Assets
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**S**

SA	Standardised Approach
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SA(CR)	Standardised Approach to Credit Risk
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SA(EQ)	Standardised Approach for Equity Exposures
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SA(SE)	Standardised Approach for Securitisation Exposures
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SA(MR)	Standardised Approach to Market Risk
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SA(OR)	Standardised Approach to Operational Risk
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SE	Securitisation Exposures
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SEC-IRBA	Securitisation Internal Ratings-Based Approach
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SEC-ERBA	Securitisation External Ratings-Based Approach
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SEC-SA	Securitisation Standardised Approach
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SF	Supervisory Formula
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SFRS	Singapore Financial Reporting Standards
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SFTs	Securities Financing Transactions
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SME	Small-and Medium-sized Enterprises
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**T**

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

VaR	Value at Risk
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