



Pillar 3 Quantitative Disclosure Report

For the First Half of 2015

**United Overseas Bank Limited
Incorporated in the Republic of Singapore
Company Registration Number: 193500026Z**

INTRODUCTION

This Pillar 3 quantitative report is prepared in accordance to the Monetary Authority of Singapore (“MAS”) Notice 637 on Risk Based Capital Adequacy Requirements for banks incorporated in Singapore. The disclosures are to facilitate the understanding of the UOB Group’s risk profile and assessment of the Group’s capital adequacy.

SUMMARY OF EXPOSURE AT DEFAULT (EAD) AND RISK WEIGHTED ASSETS (RWA)

	EAD \$ million	RWA \$ million
Credit Risk		
Internal Ratings-Based (IRB) Approach		
Corporate	127,329	91,086
Sovereign	49,150	1,144
Bank	32,645	6,647
Residential Mortgage ^a	65,047	9,182
Qualifying Revolving Retail ^a	6,217	2,246
Other Retail ^a	18,996	3,814
Equity	2,048	7,445
Securitisation	47	85
Total IRB Approach	301,479	121,649
Standardised Approach^b		
Corporate	9,023	8,452
Sovereign	1,814	332
Bank	1,675	302
Regulatory Retail	1,217	929
Residential Mortgage	1,568	659
Commercial Real Estate	2,428	2,446
Fixed Assets	2,905	2,905
Other Exposures	5,521	2,918
Total Standardised Approach	26,151	18,943
Credit Valuation Adjustment		1,809
Central Counterparties		380
Investments approved under section 32 of the Banking Act (below threshold for deduction)		6,601
Total Credit Risk		149,382
Market Risk		
Standardised Approach		19,935
Operational Risk		
Standardised Approach		12,235
Total		181,552

^a Credit exposures under Advanced IRB Approach.

^b Amount under Standardised Approach refers to credit exposure where IRB Approach is not applicable, or portfolios that will eventually adopt IRB Approach.

Based on the Group’s Total RWA, the Group’s minimum capital requirement as at 30 June 2015 is \$18,155 million.

CREDIT RISK

Credit risk is defined as the risk of loss arising from any failure by a borrower or a counterparty to fulfil its financial obligations as and when they fall due.

The Group Credit Committee is delegated the authority by the Board of Directors to oversee all credit matters. It maintains oversight on the effectiveness of the Group's credit and country risk management structure including framework, people, processes, information, infrastructure, methodologies and systems.

Credit risk exposures are managed through a robust credit underwriting, structuring and monitoring process. The process includes monthly review of all non-performing and special mention loans, ensuring credit quality and the timely recognition of asset impairment. In addition, credit review and audit are performed regularly to proactively manage any delinquency, minimise undesirable concentrations, maximise recoveries, and ensure that credit policies and procedures are complied with. Past dues and credit limit excesses are tracked and analysed by business and product lines.

Country risk arises where the Group is unable to receive payments from customers as a result of political or economic events in the country. These events include political and social unrest, nationalisation and expropriation of assets, government repudiation of external indebtedness, and currency depreciation or devaluation.

Credit exposure

The Group's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, before taking into account any collateral held, other credit enhancements and netting arrangements, is shown in the table below:

	Average ¹ \$ million	End \$ million
Balances and placements with central banks	35,806	37,107
Singapore Government treasury bills and securities	7,362	7,017
Other government treasury bills and securities	9,465	9,808
Trading debt securities	941	1,436
Placements and balances with banks	27,684	25,658
Loans to non-bank customers	196,755	198,798
Derivative financial assets	6,180	5,745
Investment debt securities	7,993	7,250
Others	1,717	1,899
	293,903	294,718
Contingent liabilities	19,305	19,800
Commitments (excluding operating lease and capital commitments)	97,493	98,813
	410,701	413,331

¹ Average balances are computed based on quarter-end exposure.

As a fundamental credit principle, the Group generally does not grant credit facilities solely on the basis of the collateral provided. All credit facilities are granted based on the credit standing of the borrower, source of repayment and debt servicing ability.

Collateral is taken whenever possible to mitigate the credit risk assumed. The value of the collateral is monitored periodically. The frequency of valuation depends on the type, liquidity and volatility of the collateral value. The main types of collateral taken by the Group are cash, marketable securities, real estate, equipment, inventory and receivables. Policies and processes are in place to monitor collateral concentration.

In extending credit facilities to small and medium enterprises, personal guarantees are often taken as a form of moral support to ensure moral commitment from the principal shareholders and directors.

Corporate guarantees are often obtained when the borrower's credit worthiness is not sufficient to justify an extension of credit.

For internal risk management, agreements such as International Swaps and Derivatives Association Master Agreements and Credit Support Annex have been established with active counterparties to manage counterparty credit risk arising from foreign exchange and derivative activities. The agreements allow the Group to settle all outstanding transactions in the event of counterparty default, resulting in a single net claim against or in favour of the counterparty.

Major On-balance sheet credit exposures

	Loans to non- bank customers (gross) \$ million	Government treasury bills and securities \$ million	Placements and balances with banks \$ million	Debt securities \$ million	Total \$ million
Analysed by geography^a					
Singapore	115,024	7,017	603	2,328	124,972
Malaysia	25,325	1,201	2,896	1,364	30,786
Thailand	11,003	3,000	452	116	14,571
Indonesia	10,829	634	1,304	21	12,788
Greater China	23,915	1,917	12,064	1,586	39,482
Others	16,310	3,056	8,339	3,271	30,976
Total	202,406	16,825	25,658	8,686	253,575

^a By borrower's country of incorporation / operation (for non-individuals) and residence (for individuals).

	Loans to non- bank customers (gross) \$ million	Government treasury bills and securities \$ million	Placements and balances with banks \$ million	Debt securities \$ million	Total \$ million
Analysed by industry					
Transport, storage and communication	9,590	-	-	829	10,419
Building and construction	40,648	-	-	223	40,871
Manufacturing	17,164	-	-	1,218	18,382
Financial institutions	15,834	-	25,658	3,186	44,678
General commerce	27,550	-	-	532	28,082
Professionals and private individuals	25,829	-	-	-	25,829
Housing loans	55,294	-	-	-	55,294
Government	-	16,825	-	-	16,825
Others	10,497	-	-	2,698	13,195
Total	202,406	16,825	25,658	8,686	253,575

Contingent liabilities

	\$ million
Analysed by geography^a	
Singapore	8,367
Malaysia	2,700
Thailand	1,239
Indonesia	638
Greater China	2,555
Others	4,301
Total	19,800

^a By borrower's country of incorporation / operation (for non-individuals) and residence (for individuals).

Commitments (excluding operating lease and capital commitments)

	\$ million
Analysed by geography^a	
Singapore	57,165
Malaysia	8,097
Thailand	6,986
Indonesia	3,210
Greater China	15,035
Others	8,320
Total	98,813

^a By borrower's country of incorporation / operation (for non-individuals) and residence (for individuals).

Credit exposures by residual contractual maturity

The following table shows the Group's credit exposures by remaining contractual maturities.

	Up to 7 days \$ million	Over 7 days to 1 month \$ million	Over 1 to 3 months \$ million	Over 3 to 12 months \$ million	Over 1 to 3 years \$ million	Over 3 years \$ million	No specific maturity \$ million	Total \$ million
Balances and placements with central banks	13,750	6,076	5,649	3,856	22	-	7,754	37,107
Singapore Government treasury bills and securities	241	-	-	2,534	1,125	2,763	354	7,017
Other government treasury bills and securities	450	537	1,392	3,082	3,132	1,212	3	9,808
Trading debt securities	-	1	238	446	154	549	48	1,436
Placements and balances with banks	6,911	3,564	7,422	5,373	611	27	1,750	25,658
Loans to non-bank customers	10,041	13,556	13,754	19,198	29,669	106,859	5,721	198,798
Derivative financial assets	-	-	-	-	-	-	5,745	5,745
Investment debt securities	145	140	233	1,340	1,833	3,346	213	7,250
Others	-	-	-	-	-	-	1,899	1,899
Total	31,538	23,874	28,688	35,829	36,546	114,756	23,487	294,718

Counterparty Credit Risk Exposures

	\$ million
Gross positive fair value of contracts	11,984
Netting effects	(2,909)
Exposure under current exposure method	9,075
Analysed by type:	
Interest rate contracts	2,870
Foreign exchange contracts and gold	3,412
Equity contracts	2,059
Credit derivative contracts	108
Precious metals and other commodity contracts	626
Collateral held	
Financial Collateral	(394)
Others	(8)
Net derivatives credit exposure	8,673

Credit Derivative Exposures

	Notional amounts bought	Notional amounts sold
	\$ million	\$ million
Own credit portfolio	1,004	-
Intermediation portfolio	237	237
Total credit default swaps	1,241	237

Credit Exposures Secured by Eligible Collateral, Guarantees and Credit Derivatives

	Amount by which total exposures are covered by:	
	Eligible Collateral ^a	Credit Protection
	\$ million	\$ million
Standardised		
Corporate	1,677	84
Bank	9	-
Retail	177	3
Commercial Real Estate	14	6
Others	777	-
Standardised Total	2,654	93
FIRB		
Corporate	17,695 ^b	11,405
Sovereign	1,337	-
Bank	1,092	41
FIRB Total	20,124	11,446
Total	22,778	11,539

^a The Group currently uses supervisory prescribed haircuts for eligible financial collateral

^b Include other eligible collateral of \$11,461 million

Credit Exposures Subject to Standardised Approach

	Net Exposures ^a
Risk Weights	\$ million
0% to 35%	6,694
50% to 75%	2,975
100% and above	16,482
Total	26,151

^a Net exposures after credit mitigation and provisions

RWA based on the assessments of each recognized ECAI

ECAI	RWA
	\$ million
Moody's	776
S&P	269
Fitch	24
Total	1,069

ECAI : External Credit Assessment Institution

Credit Exposures Subject to Supervisory Risk Weight under IRB Approach

Risk Weights	Specialised Lending \$ million	Equity (SRW Method) \$ million
0% to 50%	1,701	-
51% to 100%	2,333	-
101% and above	807	1,663
Total	4,841	1,663

SRW: Simple Risk Weight

Risk Weights	Securitisation ^a \$ million
0% to 50%	41
1250%	6
Total	47

^a Securitisation exposures purchased

CREDIT RISK PROFILE

The following tables show the breakdown of exposures by RWA and EAD using the respective internal rating scale for the model applicable to the asset classes:

Large Corporate, SME and Specialised Lending (IPRE) Exposures

CRR Band	PD Range	Credit RWA \$ million	EAD \$ million	Exposure-weighted Average Risk Weights %
1 – 9	Up to 2.37%	71,699	109,641	65
10 – 16	> 2.37%	15,776	11,966	132
Default		-	860	-
Total		87,475	122,467	71

SME : Small and Medium Enterprises

IPRE : Income Producing Real Estate

CRR : Customer Risk Rating

Specialised Lending (CF, PF, SF and UOB Thailand's IPRE) Exposures

CRR Band	Credit RWA \$ million	EAD \$ million	Exposure-weighted Average Risk Weights %
Strong	1,029	1,682	61
Good	1,482	1,684	88
Satisfactory	885	726	122
Weak	215	81	265
Default	-	668	-
Total	3,611	4,841	75

CF : Commodities Finance

PF : Project Finance

SF: Ship Finance

Sovereign Exposures

CRR Band	PD Range	Credit RWA \$ million	EAD \$ million	Exposure-weighted Average Risk Weights %
1 – 9	Up to 0.28%	935	48,988	2
10 – 16	> 0.28%	209	162	129
Default		-	-	NA
Total		1,144	49,150	2

Bank Exposures

CRR Band	PD Range	Credit RWA \$ million	EAD \$ million	Exposure-weighted Average Risk Weights %
1 – 9	Up to 0.28%	4,399	28,725	15
10 – 16	> 0.28%	2,248	3,920	57
Default		-	-	NA
Total		6,647	32,645	20

Equity (PD/LGD Method) Exposures

CRR Band	PD Range	Credit RWA \$ million	EAD \$ million	Exposure-weighted Average Risk Weights %
1 – 9	Up to 0.28%	330	197	168
10 – 16	> 0.28%	962	188	511
Default		-	-	NA
Total		1,292	385	336

PD: Probability of Default

LGD : Loss Given Default

Retail (Residential Mortgage) Exposures

PD Band	Credit RWA \$ million	EAD \$ million	Exposure- weighted Average Risk Weights %	Exposure- weighted Average LGD %	Undrawn \$ million
Up to 1%	3,940	48,466	8	11	1,878
>1% to 2%	1,172	6,923	17	10	44
>2%	3,757	9,082	41	12	64
Default	313	576	54	16	-
Total	9,182	65,047	14	11	1,986

Retail (QRRE) Exposures

PD Band	Credit RWA \$ million	EAD \$ million	Exposure- weighted Average Risk Weights %	Exposure- weighted Average LGD %	Undrawn \$ million
Up to 1%	377	3,437	11	40	1,632
>1% to 2%	217	1,246	17	33	805
>2%	1,532	1,483	103	63	251
Default	120	51	236	71	-
Total	2,246	6,217	36	45	2,688

QRRE : Qualifying Revolving Retail Exposures

Retail (Other Retail) Exposures

PD Band	Credit RWA \$ million	EAD \$ million	Exposure- weighted Average Risk Weights %	Exposure- weighted Average LGD %	Undrawn \$ million
Up to 1%	1,466	12,686	12	16	1,597
>1% to 2%	537	2,082	26	21	380
>2%	1,641	4,050	41	25	409
Default	170	178	96	32	0
Total	3,814	18,996	20	18	2,386

Total loans & advances (by performing and non-performing)

	\$ million
Performing Loans	
- Neither past due nor impaired	195,347
- Past due but not impaired	4,555
Non-Performing Loans	2,504
Total Gross Loans	202, 406
Specific Allowances	747
General Allowances	2,862
Total Net Loans*	198,798

* Figure does not add up to the respective totals due to rounding.

Past due but not impaired Loans

	< 30 days	30 - 59 days	60 – 90 days	Total
	\$ million	\$ million	\$ million	\$ million
Analysed by past due period and geography^a				
Singapore	1,883	448	76	2,407
Malaysia	588	230	61	879
Thailand	701	55	31	787
Indonesia	180	55	21	256
Greater China	123	9	-	132
Others	62	21	11	94
Total	3,537	818	200	4,555

^a By borrower's country of incorporation / operation (for non-individuals) and residence (for individuals).

	< 30 days	30 - 59 days	60 – 90 days	Total
	\$ million	\$ million	\$ million	\$ million
Analysed by past due period and industry				
Transport, storage and communication	202	15	3	220
Building and construction	346	98	12	456
Manufacturing	353	60	23	436
Financial institutions	246	36	-	282
General commerce	714	88	40	842
Professionals and private individuals	598	181	52	831
Housing Loans	985	309	69	1,363
Others	93	31	1	125
Total	3,537	818	200	4,555

Past due non-performing assets

	< 90 days	90 - 180 days	> 180 days	Total
	\$ million	\$ million	\$ million	\$ million
Analysed by past due period and geography^a				
Singapore	345	207	379	931
Malaysia	79	123	221	423
Thailand	36	52	201	289
Indonesia	28	73	234	335
Greater China	47	11	91	149
Others	18	9	350	377
Non-performing loan	553	475	1,476	2,504
Debt Securities, contingent items and others	53	-	148	201
Total	606	475	1,624	2,705

^a By borrower's country of incorporation / operation (for non-individuals) and residence (for individuals)

	< 90 days	90 - 180 days	> 180 days	Total
	\$ million	\$ million	\$ million	\$ million
Analysed by past due period and industry				
Transport, storage and communication	184	143	446	773
Building and construction	82	62	79	223
Manufacturing	33	8	221	262
Financial institutions	35	-	77	112
General commerce	68	62	150	280
Professionals and private individuals	74	78	100	252
Housing Loans	57	119	365	541
Others	20	3	38	61
Non-performing loan	553	475	1,476	2,504
Debt Securities, contingent items and others	53	-	148	201
Total	606	475	1,624	2,705

Movements in specific and general allowances

	Balance as at 1 January 2015	Net Charge to income statement ^a	Write-off	Exchange & other movements	Balance at 30 June 2015
	\$ million	\$ million	\$ million	\$ million	\$ million
Specific Allowances	657	156	(58)	(8)	747
General Allowances	2,783	106	-	(27)	2,862
Total*	3,440	262	(58)	(35)	3,608

^a Excludes direct charge-offs and recoveries of \$64 million and \$36 million respectively.

* Figure does not add up to the respective totals due to rounding.

Movement of specific allowances by industry

	Balance as at 1 January 2015	Net Charge to income statement	Write-off	Exchange & other movements	Balance at 30 June 2015
	\$ million	\$ million	\$ million	\$ million	\$ million
Transport, storage and communication	226	51	-	(5)	272
Building and construction	44	16	(9)	-	51
Manufacturing	126	38	(12)	-	152
Financial institutions	6	2	-	.	8
General commerce	110	4	(14)	(1)	99
Professionals and private individuals	92	8	(17)	(1)	82
Housing Loans	40	37		(1)	76
Others	13	-	(6)	-	7
Total	657	156	(58)	(8)	747

Allowances for credit and other assets

	\$ million
Specific allowances on:	
Loans	221
Investments	36
Others	14
General allowances	51
	321

Included in the allowances are the following:

Bad debts written off	64
Bad debts recovery	(36)

* Figure does not add up to the respective totals due to rounding.

MARKET RISK

Capital requirements by market risk type under Standardised Approach:

Analysed by Risk Type	\$ million
Interest rate	641
Equity	3
Foreign Exchange	867
Commodity	83
Total	1,595

This comprises all Trading Book, Non-Trading Commodity and Non-Trading FX Exposures.

Equity Exposures in the Banking Book

The following table shows the value of the Equity exposures under IRB Approach in the banking book:

	SRW Method		PD/LGD Method	
	EAD \$ million	Exposure-weighted Average Risk Weights %	EAD \$ million	Exposure-weighted Average Risk Weights %
Listed securities	847	318	287	343
Other equity holdings	816	424	98	313
Total	1,663		385	

Note: The equity exposures are included in the investment securities table below.

Total equity exposures that were deducted from capital amounted to \$57 million.

Gains and Losses

	Unrealised Gains/(Losses) Eligible as CET1 Capital	Realised Gains/(Losses) during the Period
	\$ million	\$ million
Total	1,742	73

Investment securities

	\$ million
Quoted securities	
Debt	5,757
Equity	889
Unquoted securities	
Debt	1,640
Equity	2,961
Allowance for impairment	(245)
Investment securities*	11,003

* Figure does not add up to the respective totals due to rounding.

BANKING BOOK INTEREST RATE RISK

Interest rate risk is the impact to earnings and economic value of the Group due to fluctuations in interest rates. Interest rate exposure arises from differences in the maturity and repricing dates of assets, liabilities and off-balance sheet items. These mismatches are actively monitored and managed as part of the overall interest rate risk management process which is conducted in accordance with the Group's policies as approved by the ALCO.

The economic value of equity ("EVE") sensitivity at 100 and 200 basis points parallel interest rate shocks were negative \$138 million and \$162 million respectively, computed based on the worst case of upward and downward parallel shifts of each yield curve. EVE is the present value of assets less present value of liabilities of the Group. The repricing profile of loans is generally based on the earliest possible repricing dates, taking into account the notice period to be served to the customers. Loan prepayment is estimated based on past statistics and trends where possible and material. Behavioural assumptions based on historical trends are applied where appropriate, for deposits that do not have maturity dates. There may be some differences in the assumptions across geographical locations due to variation in local conditions.