Pillar 3 Quantitative Disclosure Report

For the Financial Year Ended 31 December 2013

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

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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. Additional Pillar 3 disclosures are included in the annual report under the sections on 'Capital Management', 'Risk Management', 'Human Resource', 'Pillar 3 Disclosure', 'Group Financial Review' and 'Notes to the Financial Statements'. The disclosures are to facilitate the understanding of the UOB Group's risk profile and assessment of the Group's capital adequacy.

SUMMARY OF RISK WEIGHTED ASSETS ("RWA")

	RWA $ million
Credit Risk	
IRB Approach	
Corporate	79,507
Sovereign	80
Bank	11,242
Residential Mortgage	8,178
Qualifying Revolving Retail	2,183
Other Retail	3,140
Equity	8,854
Securitisation	827
Total IRB Approach	**114,011**
Standardised Approach	
Corporate	6,236
Sovereign	273
Bank	553
Regulatory Retail	2,389
Residential Mortgage	446
Commercial Real Estate	3,455
Fixed Assets	2,272
Other Exposures	1,824
Total Standardised Approach	**17,447**
Credit Valuation Adjustment	**2,956**
Central Counterparties	**25**
Investments approved under section 32 of the Banking Act (below threshold for deduction)	**6,032**
Total Credit Risk	**140,470**
Market Risk	
Standardised Approach	**13,657**
Operational Risk	
Standardised Approach	**10,784**
Total RWA	**164,911**

IRB: Internal Ratings-Based

Based on the Group's Total RWA, the Group's minimum capital requirement as at 31 December 2013 is $16,491 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:

	The Group	
	Average 2013 $ million	End 2013 $ million
Balances and placements with central banks	28,469	25,289
Singapore Government treasury bills and securities	10,023	9,207
Other government treasury bills and securities	8,811	6,993
Trading debt securities	412	580
Placements and balances with banks	22,221	30,189
Loans to non-bank customers	165,893	178,857
Derivative financial assets	5,618	5,779
Assets pledged	2,822	2,655
Investment debt securities	8,329	8,732
Others	2,259	2,291
	254,857	270,572
Contingent liabilities	21,257	24,087
Commitments	64,587	68,923
	340,701	**363,582**

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.

Cross-border exposure above 1% of total assets

	The Group					
	Banks $ million	Non-banks $ million	Central banks and governments $ million	Investments $ million	Total $ million	% of total assets
2013						
China	10,352	3,970	435	877	15,634	5.5
Malaysia	2,387	308	–	922	3,617	1.3
Hong Kong	1,804	1,202	–	591	3,597	1.3
India	2,757	700	–	23	3,480	1.2
United States	467	347	729	1,434	2,977	1.0
Taiwan	2,721	66	–	133	2,920	1.0

Cashflow analysis by remaining contractual maturities on an undiscounted basis

The following table shows the cash flow analysis of the Group's assets by remaining contractual maturities on an undiscounted basis. Actual maturity dates may differ from contractual maturity dates due to behavioural patterns such as prepayment of loans.

	The Group							
	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
2013								
Cash, balances and placements with central banks	**10,280**	**6,017**	**2,655**	**1,839**	**–**	**–**	**6,090**	**26,881**
Securities [1]	**121**	**698**	**1,519**	**7,487**	**8,489**	**10,792**	**3,458**	**32,564**
Placements and balances with banks [1]	**6,789**	**5,243**	**8,616**	**9,231**	**684**	**837**	**50**	**31,450**
Loans to non-bank customers	**5,904**	**13,443**	**13,306**	**21,714**	**42,322**	**98,964**	**2,049**	**197,702**
Investment in associates and joint ventures	**–**	**–**	**–**	**–**	**–**	**–**	**997**	**997**
Intangible assets	**–**	**–**	**–**	**–**	**–**	**–**	**4,144**	**4,144**
Derivative financial assets	**–**	**–**	**–**	**–**	**–**	**–**	**5,779**	**5,779**
Others	**884**	**95**	**90**	**115**	**49**	**1,236**	**2,381**	**4,850**
Total assets	**23,978**	**25,496**	**26,186**	**40,386**	**51,544**	**111,829**	**24,948**	**304,367**

[1] Include assets pledged.

Counterparty Credit Risk Exposures

	$ million
Gross positive fair value of contracts	9,278
Netting effects	-
Exposure under current exposure method	**9,278**
Analysed by type:	
Interest rate contracts	3,941
Foreign exchange contracts and gold	4,319
Equity contracts	721
Credit derivative contracts	22
Precious metals and other commodity contracts	276
Collateral held	
Financial Collateral	(120)
Others	(9)
Net derivatives credit exposure	**9,149**

Credit Derivative Exposures

	Notional amounts bought $ million	Notional amounts sold $ million
Own credit portfolio	405	-
Intermediation portfolio	17	17
Total credit default swaps	**421**	**17**

Credit Exposures under Basel

	Standardised[a] $ million	FIRB $ million	AIRB $ million
Corporate	6,766	112,701	-
Sovereign and Bank	2,845	88,520	-
Retail	4,409	NA	81,887
Commercial Real Estate	3,444	NA	NA
Others (including Equity, Asset Securitisation, Fixed Assets)	7,258	2,829	-
Total	**24,722**	**204,050**	**81,887**

[a] *Amount under Standardised Approach refers to credit exposure where IRB approach is not applicable, or portfolios that will eventually adopt IRB Approach.*

FIRB : Foundation Internal Ratings – Based

AIRB : Advanced Internal Ratings - Based

NA: Not Applicable

Credit Exposures Secured by Eligible Collateral, Guarantees and Credit Derivatives

	Amount by which total exposures are covered by:	
	Eligible Collateral[a] $ million	Credit Protection $ million
Standardised		
Corporate	2,521	84
Bank	46	-
Retail	249	38
Commercial Real Estate	39	8
Others	510	-
Standardised Total	**3,364**	**129**
FIRB		
Corporate	14,105[b]	6,936
Sovereign	1,354	-
Bank	2,231	-
FIRB Total	**17,690**	**6,936**
Total	**21,054**	**7,065**

[a] *The group currently uses supervisory prescribed haircuts for eligible financial collateral*

[b] *Include other eligible IRBA collateral of $9,373 million*

Credit Exposures Subject to Standardised Approach

Risk Weights	Net Exposures[a] $ million
0% to 35%	6,494
50% to 75%	4,550
100% and above	13,678
Total	**24,722**

[a] *Net exposures after credit mitigation and provisions*

Credit Exposures Subject to Supervisory Risk Weight under IRB Approach

Risk Weights	Specialised Lending $ million	Equity $ million
0% to 50%	2,640	-
51% to 100%	2,300	-
101% and above	678	2,060
Total	**5,618**	**2,060**

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RWA based on the assessments of each recognized ECAI

ECAI	RWA $ million
Moody's	358
S&P	364
Fitch	-
Total	**722**

ECAI : External Credit Assessment Institution

Securitisation Exposures

The following table shows the amount of securitisation exposures purchased:

Risk Weights	Securitisation $ million
0% to 50%	57
1250%	65
Total	**122**

CREDIT RISK PROFILE

The following tables show the breakdown of exposures by RWA and exposure at default (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	Credit RWA $ million	EAD $ million	Exposure-weighted Average Risk Weights %
1 – 9	62,740	96,495	65
10 – 16	12,986	9,802	132
Default	-	755	-
Total	**75,726**	**107,052**	**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	1,307	2,297	57
Good	1,607	1,876	86
Satisfactory	792	650	122
Weak	74	28	265
Default	-	767	-
Total	**3,780**	**5,618**	**67**

CF : Commodities Finance
PF : Project Finance
SF: Ship Finance

Sovereign Exposures

CRR Band	Credit RWA $ million	EAD $ million	Exposure-weighted Average Risk Weights %
1 – 9	-	45,672	-
10 – 16	80	521	15
Default	-	-	NA
Total	**80**	**46,193**	**0**

Bank Exposures

CRR Band	Credit RWA $ million	EAD $ million	Exposure-weighted Average Risk Weights %
1 – 9	8,416	38,489	22
10 – 16	2,827	3,837	74
Default	-	-	NA
Total	**11,243**	**42,326**	**27**

Equity (PD/LGD Method) Exposures

CRR Band	Credit RWA $ million	EAD $ million	Exposure-weighted Average Risk Weights %
1 – 9	943	492	192
10 – 16	672	155	433
Default	-	-	NA
Total	**1,615**	**647**	**250**

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
0.00% to 1.00%	3,590	46,007	8	11	2,087
1.01% to 2.00%	1,127	6,727	17	10	43
2.01 to 99.99%	3,195	8,534	37	11	60
Default	265	336	79	13	-
Total	**8,177**	**61,604**	**13**	**11**	**2,190**

Retail (QRRE) Exposures

PD Band	Credit RWA $ million	EAD $ million	Exposure-weighted Average Risk Weights %	Exposure-weighted Average LGD %	Undrawn $ million
0.00% to 1.00%	370	3,270	11	41	1,505
1.01% to 2.00%	153	864	18	30	574
2.01 to 99.99%	1,591	1,606	99	64	225
Default	69	36	193	73	-
Total	**2,183**	**5,776**	**38**	**46**	**2,304**

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
0.00% to 1.00%	888	7,289	12	15	1,100
1.01% to 2.00%	404	1,425	28	23	346
2.01 to 99.99%	1,749	5,652	31	20	446
Default	99	141	70	36	-
Total	**3,140**	**14,507**	**22**	**18**	**1,892**

Expected Loss and Actual Loss by Asset Class

Actual loss consists of impairment loss allowance and write-off to the Group's income statement for the financial year ended 31 December 2013.

Asset Class	Actual loss $ million	Expected Loss [a] (as at 31 December 2012) $ million
Corporate	(3)	517
Sovereign	-	-
Bank	(7)	18
Retail	80	249
Total	**70**	**784**

[a] *Excludes defaulted exposures.*

Comparison of Actual Loss and Expected Loss by Asset Class

The actual loss for the Group's IRB portfolio in 2013 was lower than the Expected Loss that was estimated for 2013 at the end of December 2012. The Group continues to be proactive in the risk management approach to ensure that actual losses remained within the Group's expectations.

Expected Loss (EL) is the estimated credit loss from defaults over a one-year horizon. EL is the product of PD, LGD and EAD. A comparison of actual loss and expected loss provides an indication of the predictive power of the IRB models used by the Group. However, they are not directly comparable due to the following reasons:

- EL as at 31 December 2012 is a measure of expected credit loss based on the credit exposure as at that date. On the other hand, impairment loss allowance and write-offs are accounting entries relating to a fluctuating portfolio over the course of the financial year. Moreover, write-offs may relate to defaults from prior years.

- EL is estimated based on non-default exposures only, while impairment loss allowance is an accounting estimate of likely loss from defaulted exposures. Write-offs are recorded on defaulted exposures when no further recovery is possible.

Ageing analysis of past due but not impaired and non-performing assets

	The Group 2013 Past due but not impaired $ million	Non-performing $ million
Current	–	**295**
Within 90 days	**4,110**	**197**
Over 90 to 180 days	–	**241**
Over 180 days	–	**1,581**
	4,110	**2,314**

Past due but not impaired and non-performing assets analysed by geographical segment

	The Group 2013		
	Past due but not impaired $ million	Non-performing $ million	Individual impairment $ million
Singapore	**2,358**	**893**	**312**
Malaysia	**1,219**	**412**	**106**
Thailand	**359**	**313**	**192**
Indonesia	**53**	**88**	**26**
Greater China	**34**	**29**	**18**
Others	**87**	**579**	**304**
Total	**4,110**	**2,314**	**958**

Past due but not impaired and non-performing assets analysed by industry

	The Group 2013		
	Past due but not impaired $ million	Non-performing $ million	Individual impairment $ million
Transport, storage and communication	243	849	395
Building and construction	304	149	33
Manufacturing	443	227	125
Financial institutions	224	240	99
General commerce	742	272	129
Professionals and private individuals	758	192	90
Housing loans	1,346	311	28
Others	50	74	59
Total	**4,110**	**2,314**	**958**

Movements of allowance for impairment on loans

	The Group 2013	
	Individual impairment $ million	Collective impairment $ million
Balance at 1 January	960	1,964
Currency translation adjustments	(38)	(20)
Write-off/disposal	-	-
Reclassification	3	(3)
Net (write-back)/charge to income statement	(127)	381
Balance as at 31 December	**798**	**2,323**

Impairment charge/(write-back) on loans and other assets

	The Group 2013 $ million
Individual impairment on:	
Loans	136
Investment securities	76
Others	(55)
Collective impairment	272
	429

Included in the impairment charges are the following:

Bad debts written off	107
Bad debts recovery	(74)

MARKET RISK

Capital requirements by market risk type under Standardised Approach:

Analysed by Risk Type	**$ million**
Interest rate	449
Equity	2
Foreign Exchange	616
Commodity	26
Total	**1,093**

Equity Exposures in the Banking Book

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

	IRB Approach (SRW)		**IRB Approach (PD/LGD)**	
	EAD $ million	**Exposure-weighted Average Risk Weights %**	**EAD $ million**	**Exposure-weighted Average Risk Weights %**
Listed securities	1,409	318	486	267
Other equity holdings	651	424	161	196
Total	**2,060**		**647**	

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

Total Equity exposures that were deducted from capital amounted to $18 million.

Gains and Losses

	Unrealised Gains/(Losses) Eligible as CET1 Capital $ million	**Realised Gains/(Losses) during the Period $ million**
Total	**797**	**76**

Investment securities

	The Group 2013 $ million
Quoted securities	
Debt	6,519
Equity	1,660
Unquoted securities	
Debt	2,421
Equity	2,018
Allowance for impairment	(477)
Investment securities	12,140
Amount sold under Repo	(34)
	12,106

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 $212 million and $390 million (2012: negative $418 million and $747 million) respectively. EVE is the present value of assets less present value of liabilities of the Group. The reported figures are based on the worst case of an upward and downward parallel shift in the yield curve. The repricing profile of loans and deposits that do not have maturity dates is generally based on the earliest possible repricing dates, taking into account the notice period to be served to the customers. Loan prepayment is generally estimated based on past statistics and trends where possible and material. There may be some differences in the assumptions across geographical locations due to variation in local conditions.