Pillar 3 Quantitative Disclosure Report

For the First Half of 2014

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		
IRB Approach		
Corporate	120,652	84,211
Sovereign	43,438	1,133
Bank	39,840	6,763
Residential Mortgage[a]	63,612	8,651
Qualifying Revolving Retail[a]	5,880	2,190
Other Retail[a]	18,578	3,810
Equity	2,557	8,471
Securitisation	92	414
Total IRB Approach	**294,649**	**115,645**
Standardised Approach[b]		
Corporate	7,433	7,074
Sovereign	1,391	257
Bank	1,872	347
Regulatory Retail	979	749
Residential Mortgage	1,307	473
Commercial Real Estate	2,659	2,671
Fixed Assets	2,304	2,304
Other Exposures	4,821	2,365
Total Standardised Approach	**22,765**	**16,240**
Credit Valuation Adjustment		**1,684**
Central Counterparties		**55**
Investments approved under section 32 of the Banking Act (below threshold for deduction)		**6,228**
Total Credit Risk		**139,851**
Market Risk		
Standardised Approach		**17,088**
Operational Risk		
Standardised Approach		**11,115**
Total RWA		**168,054**

[a] *Credit exposures under Advance Internal Ratings-Based approach.*

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

IRB: Internal Ratings-Based

Based on the Group's Total RWA, the Group's minimum capital requirement as at 30 June 2014 is $16,805 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[1] $ million	End 30 June 2014 $ million
Balances and placements with central banks	28,402	27,611
Singapore Government treasury bills and securities	10,157	8,070
Other government treasury bills and securities	10,509	11,036
Trading debt securities	594	853
Placements and balances with banks	26,219	30,457
Loans to non-bank customers	179,802	189,695
Derivative financial assets	5,543	5,151
Investment debt securities	8,574	8,588
Others	2,014	1,775
	271,812	283,237
Contingent liabilities	20,021	20,051
Commitments	74,428	83,476
	366,261	**386,764**

[1] Average of periods ended 30 June 2013 and 30 June 2014

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**
30 June 2014						
China	12,778	6,861	111	1,157	20,907	7.0
Hong Kong	1,572	2,038	–	575	4,185	1,4
India	2,856	747	–	34	3,637	1.2
United States	719	390	740	1,413	3,262	1.1

Credit exposures by residual contractual maturity

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

	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**
30 June 2014								
Balances and placements with central banks	12,054	4,045	2,467	1,554	20	1,300	6,171	27,611
Singapore Government treasury bills and securities	21	-	-	2,509	2,739	2,491	310	8,070
Other government treasury bills and securities	843	522	1,599	3,106	2,949	2,062	(44)	11,036
Trading debt securities	-	-	1	212	135	476	29	853
Placements and balances with banks	5,645	4,870	9,457	8,884	746	66	791	30,457
Loans to non-bank customers	8,437	14,228	14,596	15,858	31,901	99,342	5,332	189,695
Derivative financial assets	-	-	-	-	-	-	5,151	5,151
Investment debt securities	119	14	291	1,142	3,006	4,129	(113)	8,588
Others	-	-	-	-	-	-	1,775	1,775
	27,120	**23,678**	**28,411**	**33,264**	**41,496**	**109,867**	**19,402**	**283,237**

Counterparty Credit Risk Exposures

	$ million
Gross positive fair value of contracts	9,260
Netting effects	(2,470)
Exposure under current exposure method	**6,790**
Analysed by type:	
Interest rate contracts	2,412
Foreign exchange contracts and gold	3,163
Equity contracts	515
Credit derivative contracts	327
Precious metals and other commodity contracts	373
Collateral held	
Financial Collateral	(148)
Others	(7)
Net derivatives credit exposure	**6,635**

Credit Derivative Exposures

	Notional amounts bought $ million	Notional amounts sold $ million
Own credit portfolio	796	-
Intermediation portfolio	203	203
Total credit default swaps	**999**	**203**

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	1,394	36
Bank	16	-
Retail	179	1
Commercial Real Estate	32	5
Others	615	-
Standardised Total	**2,237**	**42**
FIRB		
Corporate	15,910[b]	8,642
Sovereign	1,397	-
Bank	2,880	-
FIRB Total	**20,186**	**8,642**
Total	**22,423**	**8,684**

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

[b] *Include other eligible collateral of $9,989 million*

Credit Exposures Subject to Standardised Approach

Risk Weights	Net Exposures[a] $ million
0% to 35%	6,108
50% to 75%	2,408
100% and above	14,248
Total	**22,765**

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

RWA based on the assessments of each recognized ECAI

ECAI	RWA $ million
Moody's	491
S&P	214
Fitch	48
Total	**753**

ECAI : External Credit Assessment Institution

Credit Exposures Subject to Supervisory Risk Weight under IRB Approach

Risk Weights	Specialised Lending $ million	Equity (SRW) $ million
0% to 50%	2,240	-
51% to 100%	2,368	-
101% and above	612	1,934
Total	**5,221**	**1,934**

SRW: Simple Risk Weight

Securitisation Exposures

The following table shows the amount of securitisation exposures purchased:

Risk Weights	Securitisation $ million
0% to 50%	60
1250%	32
Total	**92**

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	Credit RWA $ million	EAD $ million	Exposure-weighted Average Risk Weights %
1 – 9	67,283	104,121	65%
10 – 16	13,387	10,522	127%
Default	-	768	-
Total	**80,669**	**115,410**	**70%**

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	1,180	2,011	59%
Good	1,589	1,828	87%
Satisfactory	723	593	122%
Weak	50	19	265%
Default	-	770	-
Total	**3,542**	**5,221**	**68%**

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	990	43,266	2%
10 – 16	142	171	83%
Default	-	-	NA
Total	**1,133**	**43,438**	**3%**

Bank Exposures

CRR Band	Credit RWA $ million	EAD $ million	Exposure-weighted Average Risk Weights %
1 – 9	4,690	36,084	13%
10 – 16	2,073	3,755	55%
Default	-	-	NA
Total	**6,763**	**39,839**	**17%**

Equity (PD/LGD Method) Exposures

CRR Band	Credit RWA $ million	EAD $ million	Exposure-weighted Average Risk Weights %
1 – 9	539	382	141%
10 – 16	1,091	240	454%
Default	-	-	NA
Total	**1,630**	**622**	**262%**

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%	3,717	47,508	8%	11%	2,027
1.01% to 2.00%	1,132	6,773	17%	10%	42
2.01% to 99.99%	3,401	8,881	38%	11%	73
Default	401	451	89%	13%	-
Total	**8,651**	**63,612**	**14%**	**11%**	**2,142**

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%	363	3,313	11%	40%	1,583
1.01% to 2.00%	154	907	17%	29%	626
2.01% to 99.99%	1,609	1,622	99%	64%	231
Default	65	38	168%	73%	-
Total	**2,190**	**5,880**	**37%**	**45%**	**2,441**

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%	1,254	10,207	12%	16%	1,796
1.01% to 2.00%	493	1,801	27%	22%	398
2.01% to 99.99%	1,927	6,414	30%	19%	504
Default	136	155	88%	36%	-
Total	**3,810**	**18,578**	**21%**	**18%**	**2,698**

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

	The Group 30 June 2014	
	Past due but not impaired $ million	Non-performing $ million
Current	–	321
Within 90 days	4,321	215
Over 90 to 180 days	–	464
Over 180 days	–	1,540
	4,321	**2,540**

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

	The Group 30 June 2014		
	Past due but not impaired $ million	Non-performing $ million	Individual impairment $ million
Singapore	2,309	1,026	303
Malaysia	1,049	439	100
Thailand	666	371	211
Indonesia	167	149	45
Greater China	68	30	17
Others	62	525	301
Total	**4,321**	**2,540**	**977**

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

	The Group 30 June 2014		
	Past due but not impaired $ million	Non-performing $ million	Individual impairment $ million
Transport, storage and communication	192	862	411
Building and construction	330	217	36
Manufacturing	425	270	149
Financial institutions	370	201	85
General commerce	690	307	135
Professionals and private individuals	961	176	72
Housing loans	1,219	447	35
Others	134	60	54
Total	**4,321**	**2,540**	**977**

Movements of allowance for impairment on loans

	The Group 30 June 2014	
	Individual impairment $ million	Collective impairment $ million
Balance at 1 January	798	2,323
Currency translation adjustments	8	1
Reclassification	-	70
Net charge to income statement	28	217
Balance as at 30 June 2014	**834**	**2,611**

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

	The Group 30 June 2014 $ million
Individual impairment on:	
Loans	91
Investment securities	36
Others	(3)
Collective impairment	183
	307

Included in the impairment charges are the following:

Bad debts written off	29
Bad debts recovery	(43)

MARKET RISK

Capital requirements by market risk type under Standardised Approach:

Analysed by Risk Type	$ million
Interest rate	538
Equity	1
Foreign Exchange	815
Commodity	13
Total	**1,367**

Equity Exposures in the Banking Book

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

	SRW		PD/LGD	
	EAD $ million	Exposure-weighted Average Risk Weights %	EAD $ million	Exposure-weighted Average Risk Weights %
Listed securities	1,282	318	493	272
Other equity holdings	652	424	129	222
Total	**1,934**		**622**	

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

Total Equity exposures that were deducted from capital amounted to $17 million.

Gains and Losses

	Unrealised Gains/(Losses) Eligible as CET1 Capital $ million	Realised Gains/(Losses) during the Period $ million
Total	**1,075**	**120**

Investment securities

	The Group 30 June 2014 $ million
Quoted securities	
Debt	6,202
Equity	1,416
Unquoted securities	
Debt	2,545
Equity	2,057
Allowance for impairment	(360)
Investment securities	11,860

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 $81 million and $160 million respectively, computed based on the worst impact of positive and negative shocks at major currencies level. 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.