



Pillar 3 Quantitative Disclosure Report

**For the Financial Year Ended
31 December 2014**

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’, ‘Management Discussion and Analysis’ 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 EXPOSURE AT DEFAULT (“EAD”) AND RISK WEIGHTED ASSETS (“RWA”)

	EAD \$ million	RWA \$ million
Credit Risk		
IRB Approach		
Corporate	126,001	90,799
Sovereign	49,310	1,151
Bank	35,451	6,506
Residential Mortgage ^a	65,045	8,949
Qualifying Revolving Retail ^a	6,255	2,329
Other Retail ^a	18,999	3,813
Equity	2,290	7,712
Securitisation	81	269
Total IRB Approach	303,432	121,528
Standardised Approach^b		
Corporate	9,132	8,151
Sovereign	1,721	306
Bank	1,826	247
Regulatory Retail	1,203	919
Residential Mortgage	1,496	626
Commercial Real Estate	2,458	2,494
Fixed Assets	2,830	2,830
Other Exposures	4,635	2,556
Total Standardised Approach	25,301	18,129
Credit Valuation Adjustment		2,397
Central Counterparties		120
Investments approved under section 32 of the Banking Act (below threshold for deduction)		6,453
Total Credit Risk		148,627
Market Risk		
Standardised Approach		18,295
Operational Risk		
Standardised Approach		11,870
Total		178,792

^a Credit exposures under Advanced Internal Ratings-Based approach.

^b Amount under Standardised Approach refers to credit exposure where Internal Ratings-Based (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 31 December 2014 is \$17,879 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	30,871	33,557
Singapore Government treasury bills and securities	8,138	7,757
Other government treasury bills and securities	10,258	10,141
Trading debt securities	784	693
Placements and balances with banks	30,112	28,692
Loans to non-bank customers	190,863	195,903
Derivative financial assets	5,592	6,306
Investment debt securities	8,526	8,395
Others	1,831	1,579
	286,975	293,023
Contingent liabilities	20,339	18,514
Commitments (excluding operating lease and capital commitments)	88,745	99,037
	396,059	410,574

¹ Average 2014 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	109,700	7,757	1,491	2,743	121,691
Malaysia	25,768	1,466	2,748	1,236	31,218
Thailand	10,836	3,521	720	119	15,196
Indonesia	11,100	389	1,029	44	12,562
Greater China	25,308	2,026	12,406	1,385	41,125
Others	16,631	2,739	10,298	3,561	33,229
Total	199,343	17,898	28,692	9,088	255,021

^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	10,014	-	-	801	10,815
Building and construction	25,160	-	-	248	25,408
Manufacturing	17,139	-	-	1,229	18,368
Financial institutions	29,551	-	28,692	3,358	61,601
General commerce	27,119	-	-	494	27,613
Professionals and private individuals	26,008	-	-	-	26,008
Housing loans	54,711	-	-	-	54,711
Government	-	17,898	-	-	17,898
Others	9,641	-	-	2,958	12,599
Total	199,343	17,898	28,692	9,088	255,021

Contingent liabilities

	\$ million
Analysed by geography^a	
Singapore	7,858
Malaysia	2,452
Thailand	1,270
Indonesia	618
Greater China	2,498
Others	3,818
Total	18,514

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

Commitments (excluding operating lease and capital commitments)

	\$ million
Analysed by geography^a	
Singapore	54,453
Malaysia	8,917
Thailand	6,459
Indonesia	3,684
Greater China	15,100
Others	10,424
Total	99,037

^a By borrower's country of incorporation (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	13,213	3,561	5,751	4,169	21	-	6,842	33,557
Singapore Government treasury bills and securities	-	-	1,138	1,411	2,304	2,569	335	7,757
Other government treasury bills and securities	501	452	1,504	3,249	2,695	1,755	(15)	10,141
Trading debt securities	-	1	5	68	53	529	37	693
Placements and balances with banks	7,819	4,714	7,498	6,448	600	-	1,613	28,692
Loans to non-bank customers	7,751	14,712	13,184	14,848	31,533	107,907	5,968	195,903
Derivative financial assets	-	-	-	-	-	-	6,306	6,306
Investment debt securities	-	12	247	1,734	2,375	3,756	271	8,395
Others	-	-	-	-	-	-	1,579	1,579
Total	29,284	23,452	29,327	31,927	39,581	116,516	22,936	293,023

Counterparty Credit Risk Exposures

	\$ million
Gross positive fair value of contracts	10,175
Netting effects	(3,101)
Exposure under current exposure method	7,074
Analysed by type:	
Interest rate contracts	2,503
Foreign exchange contracts and gold	3,404
Equity contracts	682
Credit derivative contracts	94
Precious metals and other commodity contracts	391
Collateral held	
Financial Collateral	(175)
Others	(7)
Net derivatives credit exposure	6,892

Credit Derivative Exposures

	Notional amounts bought \$ million	Notional amounts sold \$ million
Own credit portfolio	802	-
Intermediation portfolio	220	220
Total credit default swaps	1,022	220

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	1,602	34
Bank	5	-
Retail	178	-
Commercial Real Estate	13	3
Others	689	-
Standardised Total	2,487	37
FIRB		
Corporate	17,034 ^b	11,957
Sovereign	1,847	-
Bank	1,834	-
FIRB Total	20,715	11,957
Total	23,202	11,994

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

^b Include other eligible collateral of \$10,658 million

Credit Exposures Subject to Standardised Approach

Risk Weights	Net Exposures ^a \$ million
0% to 35%	6,118
50% to 75%	3,856
100% and above	15,327
Total	25,301

^a Net exposures after credit mitigation and provisions

RWA based on the assessments of each recognized ECAI

ECAI	RWA \$ million
Moody's	639
S&P	758
Fitch	22
Total	1,419

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%	2,004	-
51% to 100%	2,530	-
101% and above	601	1,683
Total	5,135	1,683

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%	21
Total	81

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%	71,690	108,064	66
10 – 16	> 2.37%	15,468	12,008	129
Default		-	786	-
Total		87,158	120,858	72

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	1,129	1,898	60
Good	1,753	1,947	90
Satisfactory	710	582	122
Weak	49	18	265
Default	-	690	-
Total	3,641	5,135	71

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%	1,033	49,186	2
10 – 16	> 0.28%	118	124	95
Default		-	-	NA
Total		1,151	49,310	2

Bank Exposures

CRR Band	PD Range	Credit RWA \$ million	EAD \$ million	Exposure-weighted Average Risk Weights %
1 – 9	Up to 0.28%	4,374	31,654	14
10 – 16	> 0.28%	2,132	3,797	56
Default		-	-	NA
Total		6,506	35,451	18

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%	531	375	141
10 – 16	> 0.28%	1,044	232	451
Default		-	-	NA
Total		1,575	607	259

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%	3,925	48,762	8	11	1,951
>1% to 2%	1,153	6,839	17	10	40
>2%	3,591	8,923	40	12	75
Default	280	521	54	14	-
Total	8,949	65,045	14	11	2,066

Retail (QRRE) Exposures

PD Band	Credit RWA \$ million	EAD \$ million	Exposure- weighted Average Risk Weights %	Exposure- weighted Average LGD %	Undrawn \$ million
Up to 1%	393	3,567	11	41	1,638
>1% to 2%	166	964	17	29	666
>2%	1,687	1,679	101	64	245
Default	83	45	185	73	-
Total	2,329	6,255	37	45	2,549

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%	1,489	12,870	12	15	1,695
>1% to 2%	528	1,995	26	22	391
>2%	1,651	3,978	42	26	447
Default	145	156	93	32	-
Total	3,813	18,999	20	18	2,533

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 2014.

Asset Class	Actual loss \$ million	Expected Loss^a (as at 31 December 2013) \$ million
Corporate	45	507
Sovereign	-	1
Bank	-	37
Retail	126	301
Total	171	846

^a Excludes defaulted exposures.

Comparison of Actual Loss and Expected Loss by Asset Class

The actual loss for the Group's IRB portfolio in 2014 was lower than the Expected Loss that was estimated for 2014 at the end of December 2013. 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 2013 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 loans & advances (by performing and non-performing)

	\$ million
Performing Loans	
- Neither past due nor impaired	193,344
- Past due but not impaired	3,641
Non-Performing Loans	2,358
Total Gross Loans	199,343

Past due but not impaired Loans

	< 30 days \$ million	30 - 59 days \$ million	60 – 90 days \$ million	Total \$ million
Analysed by past due period and geography^a				
Singapore	1,417	634	48	2,099
Malaysia	528	319	74	921
Thailand	127	22	5	154
Indonesia	94	70	6	170
Greater China	25	32	-	57
Others	173	54	13	240
Total	2,364	1,131	146	3,641

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

	< 30 days \$ million	30 - 59 days \$ million	60 – 90 days \$ million	Total \$ million
Analysed by past due period and industry				
Transport, storage and communication	38	27	-	65
Building and construction	224	100	15	339
Manufacturing	348	23	9	380
Financial institutions	227	17	-	244
General commerce	857	99	26	982
Professionals and private individuals	311	229	32	572
Housing Loans	293	625	53	971
Others	66	11	11	88
Total	2,364	1,131	146	3,641

Past due non-performing assets

	< 90 days \$ million	90 - 180 days \$ million	> 180 days \$ million	Total \$ million
Analysed by past due period and geography^a				
Singapore	388	119	357	864
Malaysia	115	60	211	386
Thailand	46	50	171	267
Indonesia	10	54	234	298
Greater China	28	17	80	125
Others	12	19	387	418
Non-performing loan	599	319	1,440	2,358
Debt Securities, contingent items and others	89	-	141	230
Total	688	319	1,581	2,588

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

	< 90 days \$ million	90 - 180 days \$ million	> 180 days \$ million	Total \$ million
Analysed by past due period and industry				
Transport, storage and communication	239	-	475	714
Building and construction	116	28	48	192
Manufacturing	21	24	235	280
Financial institutions	44	27	72	143
General commerce	69	32	164	265
Professionals and private individuals	51	58	100	209
Housing Loans	54	121	332	507
Others	5	29	14	48
Non-performing loan	599	319	1,440	2,358
Debt Securities, contingent items and others	89	-	141	230
Total	688	319	1,581	2,588

Movements in individual and collective impairment

	Balance as at 1 January 2014 \$ million	Net Charge to income statement \$ million	Write-off \$ million	Exchange & other movements \$ million	Balance at 31 December 2014 \$ million
Individual Impairment	798	174	(323)	8	657
Collective Impairment	2,323	388	-	72	2,783
Total	3,121	562	(323)	80	3,440

Movement of individual impairment by industry

	Balance as at 1 January 2014 \$ million	Net Charge to income statement \$ million	Write-off \$ million	Exchange & other movements \$ million	Balance at 31 December 2014 \$ million
Transport, storage and communication	366	29	(173)	4	226
Building and construction	28	23	(8)	1	44
Manufacturing	123	36	(33)	-	126
Financial institutions	4	2	-	-	6
General commerce	126	31	(48)	1	110
Professionals and private individuals	91	35	(36)	2	92
Housing Loans	28	13	(1)	-	40
Others	32	5	(24)	-	13
Total	798	174	(323)	8	657

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

	\$ million
Individual impairment on:	
Loans	238
Investment securities	64
Others	(1)
Collective impairment	334
	635

Included in the impairment charges are the following:

Bad debts written off	160
Bad debts recovery	(80)

MARKET RISK

Capital requirements by market risk type under Standardised Approach:

Analysed by Risk Type	\$ million
Interest rate	607
Equity	1
Foreign Exchange	832
Commodity	24
Total	1,464

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	942	318	476	270
Other equity holdings	741	424	131	222
Total	1,683		607	

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

Total Equity exposures that were deducted from capital amounted to \$20 million.

Gains and Losses

	Unrealised Gains/(Losses) Eligible as CET1 Capital \$ million	Realised Gains/(Losses) during the Period \$ million
Total	1,112	178

Investment securities

	\$ million
Quoted securities	
Debt	6,411
Equity	1,023
Unquoted securities	
Debt	2,159
Equity	2,130
Allowance for impairment	(283)
Investment securities	11,440

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 \$146 million and \$280 million (2013: negative \$212 million and \$390 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.