



Pillar 3 Quantitative Disclosure Report

For the Financial Year Ended 31 December 2015

United Overseas Bank Limited
Incorporated in the Republic of Singapore



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’, ‘Remuneration’, ‘Pillar 3 Quantitative 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		
Internal Ratings-Based (IRB) Approach		
Corporate	141,526	106,121
Sovereign	43,875	1,186
Bank	34,053	7,140
Residential Mortgage ^a	68,240	9,971
Qualifying Revolving Retail ^a	6,599	2,312
Other Retail ^a	20,020	4,429
Equity	1,885	6,539
Securitisation	43	68
Total IRB Approach	316,241	137,766
Standardised Approach^b		
Corporate	9,030	8,525
Sovereign	1,744	274
Bank	1,478	180
Regulatory Retail	1,279	978
Residential Mortgage	1,717	724
Commercial Real Estate	2,551	2,577
Fixed Assets	3,027	3,027
Other Exposures	5,807	3,357
Total Standardised Approach	26,633	19,642
Credit Valuation Adjustment		1,849
Central Counterparties		452
Investments approved under section 32 of the Banking Act (below threshold for deduction)		6,668
Total Credit Risk		166,377
Market Risk		
Standardised Approach		21,620
Operational Risk		
Standardised Approach		12,656
Total		200,654

^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 31 December 2015 is \$20,065 million.

CREDIT RISK

Credit risk is the risk of loss arising from any failure by a borrower or counterparty to meet its financial obligations when such obligations 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 ^a \$ million	End \$ million
Balances and placements with central banks	37,614	30,543
Singapore Government treasury bills and securities	6,853	6,865
Other government treasury bills and securities	10,553	12,644
Trading debt securities	1,164	1,087
Placements and balances with banks	27,110	28,646
Loans to non-bank customers	200,433	203,611
Derivative financial assets	6,843	6,422
Investment debt securities	7,400	7,312
Others	2,719	3,905
	300,689	301,035
Contingent liabilities	19,154	19,008
Commitments (excluding operating lease and capital commitments)	133,927	142,974
	453,770	463,017

^a 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 the International Swaps and Derivatives Association Master Agreements (ISDA) and Credit Support Annex (CSA) have been established with active counterparties to manage counterparty credit risk arising from foreign exchange and derivative activities. Such agreements help to minimise credit exposure by allowing us to offset what we owe to a counterparty against what is due from that counterparty in the event of a default.

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	116,087	6,865	761	2,245	125,958
Malaysia	24,605	1,264	2,375	1,056	29,300
Thailand	11,481	2,962	258	70	14,771
Indonesia	11,543	849	770	21	13,183
Greater China	25,217	1,923	12,175	1,314	40,629
Others	18,438	5,646	12,307	3,693	40,084
Total	207,371	19,509	28,646	8,399	263,925

^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	10,019	-	-	1,001	11,020
Building and construction	45,211	-	-	367	45,578
Manufacturing	15,803	-	-	1,493	17,296
Financial institutions	14,282	-	28,646	2,478	45,406
General commerce	28,302	-	-	665	28,967
Professionals and private individuals	25,950	-	-	-	25,950
Housing loans	56,385	-	-	-	56,385
Government	-	19,509	-	-	19,509
Others	11,419	-	-	2,395	13,814
Total	207,371	19,509	28,646	8,399	263,925

Contingent liabilities

	\$ million
Analysed by geography^a	
Singapore	7,313
Malaysia	2,753
Thailand	1,201
Indonesia	572
Greater China	2,487
Others	4,682
Total	19,008

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

	\$ million
Analysed by industry	
Transport, storage and communication	639
Building and construction	5,904
Manufacturing	1,670
Financial institutions	3,242
General commerce	5,379
Professionals and private individuals	230
Others	1,944
Total	19,008

Commitments (excluding operating lease and capital commitments)

	\$ million
Analysed by geography^a	
Singapore	82,238
Malaysia	11,120
Thailand	9,077
Indonesia	5,120
Greater China	23,572
Others	11,847
Total	142,974

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

	\$ million
Analysed by industry	
Transport, storage and communication	4,415
Building and construction	21,083
Manufacturing	18,786
Financial institutions	13,808
General commerce	48,274
Professionals and private individuals	19,676
Housing Loan	5,645
Others	11,287
Total	142,974

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 Singapore	14,452	2,395	3,121	4,117	-	-	6,458	30,543
Government treasury bills and securities	-	-	-	2,458	1,198	3,095	114	6,865
Other government treasury bills and securities	20	265	1,966	3,467	5,967	894	65	12,644
Trading debt securities	-	15	-	360	132	525	55	1,087
Placements and balances with banks	9,611	5,123	5,443	5,969	597	222	1,681	28,646
Loans to non-bank customers	8,338	15,691	13,066	18,807	33,189	109,118	5,402	203,611
Derivative financial assets	-	-	-	-	-	-	6,422	6,422
Investment debt securities	22	17	522	1,090	1,905	3,594	162	7,312
Others	-	-	-	-	-	-	3,905	3,905
Total	32,443	23,506	24,118	36,268	42,988	117,448	24,264	301,035

The majority of the Group's off-balance sheet credit exposures are short term commitments with maturity of less than 1 year.

Counterparty Credit Risk Exposures

	\$ million
Gross positive fair value of contracts	11,761
Netting effects	(3,072)
Exposure under current exposure method	8,689
Analysed by type:	
Interest rate contracts	3,093
Foreign exchange contracts and gold	3,479
Equity contracts	860
Credit derivative contracts	59
Precious metals and other commodity contracts	1,198
Collateral held	
Financial Collateral	(874)
Others	(5)
Net derivatives credit exposure	7,810

Credit Derivative Exposures

	Notional amounts bought \$ million	Notional amounts sold \$ million
Own credit portfolio	561	-
Intermediation portfolio	255	255
Total credit default swaps	816	255

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	1,737	167
Bank	211	-
Retail	202	2
Commercial Real Estate	15	7
Others	850	3
Standardised Total	3,015	179
FIRB		
Corporate	18,225 ^b	13,187
Sovereign	2,355	-
Bank	2,926	50
FIRB Total	23,506	13,237
Total	26,521	13,416

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

^b Include other eligible collateral of \$12,435 million

Credit Exposures Subject to Standardised Approach

Risk Weights	Net Exposures ^a \$ million
0% to 35%	6,721
50% to 75%	2,566
100% and above	17,346
Total	26,633

^a Net exposures after credit mitigation and provisions

RWA based on the assessments of each recognized ECAI

ECAI	RWA \$ million
Moody's	575
S&P	192
Fitch	17
Total	784

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%	1,561	-
51% to 100%	3,157	-
101% and above	1,006	1,569
Total	5,724	1,569

SRW: Simple Risk Weight

Risk Weights	Securitisation ^a \$ million
0% to 50%	38
1250%	5
Total	43

^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%	82,624	120,530	69
10 – 16	> 2.37%	19,053	14,086	135
Default		-	1,187	-
Total		101,677	135,803	75

SME : Small and Medium Enterprises

IPRE : Income Producing Real Estate

CRR : Customer Risk Rating

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

CRR Band	Credit RWA \$ million	EAD \$ million	Exposure-weighted Average Risk Weights %
Strong	1,422	2,178	65
Good	1,626	1,894	86
Satisfactory	1,080	886	122
Weak	316	119	265
Default	-	646	-
Total	4,444	5,723	78

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%	954	43,677	2
10 – 16	> 0.28%	232	198	117
Default		-	-	NA
Total		1,186	43,875	3

Bank Exposures

CRR Band	PD Range	Credit RWA \$ million	EAD \$ million	Exposure-weighted Average Risk Weights %
1 – 9	Up to 0.28%	3,634	27,681	13
10 – 16	> 0.28%	3,506	6,372	55
Default		-	-	NA
Total		7,140	34,053	21

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%	269	186	144
10 – 16	> 0.28%	473	130	365
Default		-	-	NA
Total		742	316	235

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%	4,115	49,614	8	11	3,749
>1% to 2%	1,227	7,190	17	10	279
>2%	4,322	10,854	40	11	655
Default	307	582	53	17	0
Total	9,971	68,240	15	11	4,683

Retail (QRRE) Exposures

PD Band	Credit RWA \$ million	EAD \$ million	Exposure- weighted Average Risk Weights %	Exposure- weighted Average LGD %	Undrawn \$ million
Up to 1%	431	3,765	11	43	1,797
>1% to 2%	232	1,312	18	34	884
>2%	1,526	1,471	104	63	284
Default	123	51	242	71	0
Total	2,312	6,599	35	46	2,965

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%	1,536	12,807	12	16	2,176
>1% to 2%	555	2,213	25	21	563
>2%	1,881	4,785	29	25	534
Default	457	215	213	37	0
Total	4,429	20,020	22	19	3,273

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 2015.

Asset Class	Actual loss \$ million	Expected Loss ^a (as at 31 December 2014) \$ million
Corporate	142	589
Sovereign	-	3
Bank	-	24
Retail	151	333
Total	293	949

^a Excludes defaulted exposures.

Comparison of Actual Loss and Expected Loss by Asset Class

The actual loss for the Group's IRB portfolio in 2015 was lower than the Expected Loss that was estimated for 2015 at the end of December 2014. 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 2014 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.

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

	\$ million
Performing Loans	
Neither past due nor impaired	199,477
Past due but not impaired	5,012
Non-Performing Loans	2,882
Total Gross Loans	207,371
Specific Allowances	773
General Allowances	2,988
Total Net Loans	203,610

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	1,946	957	56	2,959
Malaysia	629	279	161	1,069
Thailand	516	81	27	624
Indonesia	117	54	42	213
Greater China	18	20	1	39
Others	76	25	7	108
Total	3,302	1,416	294	5,012

^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	236	11	13	260
Building and construction	575	84	58	717
Manufacturing	339	46	3	388
Financial institutions	110	6	30	146
General commerce	881	185	38	1,104
Professionals and private individuals	572	329	59	960
Housing Loans	501	736	92	1,329
Others	88	19	1	108
Total	3,302	1,416	294	5,012

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	401	176	539	1,116
Malaysia	51	63	272	386
Thailand	37	44	168	249
Indonesia	208	82	279	569
Greater China	69	47	102	218
Others	14	2	328	344
Non-performing loan	780	414	1,688	2,882
Debt Securities, contingent items and others	52	3	129	184
Total	832	417	1,817	3,066

^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	309	56	612	977
Building and construction	67	49	134	250
Manufacturing	118	11	158	287
Financial institutions	28	-	74	102
General commerce	87	106	195	388
Professionals and private individuals	97	70	120	287
Housing Loans	54	113	383	550
Others	20	9	12	41
Non-performing loan	780	414	1,688	2,882
Debt Securities, contingent items and others	52	3	129	184
Total	832	417	1,817	3,066

Movements in specific and general allowances

	Balance as at 1 January 2015 \$ million	Net Charge to income statement \$ million	Write-off \$ million	Exchange & other movements \$ million	Balance at 31 December 2015 \$ million
Specific Allowances*	657	278	(155)	(6)	773
General Allowances*	2,783	263	-	(60)	2,987
Total	3,440	541	(155)	(66)	3,760

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

Movement of specific allowances by industry

	Balance as at 1 January 2015 \$ million	Net Charge to income statement* \$ million	Write-off \$ million	Exchange & other movements \$ million	Balance at 31 December 2015 \$ million
Transport, storage and communication	226	92	(3)	6	321
Building and construction	44	25	(12)	(1)	56
Manufacturing	126	31	(49)	(5)	103
Financial institutions	6	2	-	-	8
General commerce	110	65	(44)	(3)	128
Professionals and private individuals	92	14	(35)	-	71
Housing Loans	40	44	(4)	(2)	78
Others	13	4	(8)	(1)	8
Total*	657	278	(155)	(6)	773

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

Allowances for credit and other losses

	\$ million
Specific allowances on:	
Loans	392
Investments	69
Others	16
General allowances	196
	672
Included in the allowances are the following:	
Bad debts written off	157
Bad debts recovery	(83)

* 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	750
Equity	24
Foreign Exchange	866
Commodity	90
Total	1,730

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	806	318	255	216
Other equity holdings	763	424	61	312
Total	1,569		316	

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

Total equity exposures that were deducted from capital amounted to \$59 million.

Gains and Losses

	Unrealised Gains/(Losses) Eligible as CET1 Capital \$ million	Realised Gains/(Losses) during the Period \$ million
Total	1,387	237

Investment securities

	\$ million
Quoted securities	
Debt	5,990
Equity	894
Unquoted securities	
Debt	1,462
Equity	2,454
Allowance for impairment	(238)
Investment securities*	10,562

* 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 \$251 million and \$462 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.