



# Pillar 3 Quantitative Disclosure Report

For the First Half of 2016

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. 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
<b>Credit Risk</b>		
<b>Internal Ratings-Based (IRB) Approach</b>		
Corporate	140,265	106,778
Sovereign	34,747	1,334
Bank	37,544	7,178
Residential Mortgage <sup>a</sup>	70,527	10,321
Qualifying Revolving Retail <sup>a</sup>	6,698	2,121
Other Retail <sup>a</sup>	20,359	4,584
Equity	1,623	5,905
Securitisation	33	55
<b>Total IRB Approach</b>	<b>311,796</b>	<b>138,276</b>
<b>Standardised Approach<sup>b</sup></b>		
Corporate	10,338	9,922
Sovereign	2,140	280
Bank	1,390	205
Regulatory Retail	1,294	995
Residential Mortgage	1,727	745
Commercial Real Estate	2,624	2,661
Fixed Assets	3,005	3,005
Other Exposures	6,264	2,943
<b>Total Standardised Approach</b>	<b>28,782</b>	<b>20,756</b>
<b>Credit Valuation Adjustment</b>		<b>2,021</b>
<b>Central Counterparties</b>		<b>638</b>
<b>Investments approved under section 32 of the Banking Act (below threshold for deduction)</b>		<b>6,195</b>
<b>Total Credit Risk</b>		<b>167,885</b>
<b>Market Risk</b>		
<b>Standardised Approach</b>		<b>20,779</b>
<b>Operational Risk</b>		
<b>Standardised Approach</b>		<b>13,059</b>
<b>Total</b>		<b>201,723</b>

<sup>a</sup> Credit exposures under Advanced IRB Approach.

<sup>b</sup> 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 2016 is \$20,172 million.

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 <sup>a</sup> \$ million	End \$ million
Balances and placements with central banks	33,160	24,368
Singapore Government treasury bills and securities	6,736	6,542
Other government treasury bills and securities	12,168	11,601
Trading debt securities	1,784	2,735
Placements and balances with banks	30,657	33,138
Loans to non-bank customers	204,305	208,444
Derivative financial assets	6,894	6,298
Investment debt securities	7,561	7,883
Others	4,627	6,024
	<b>307,892</b>	<b>307,033</b>
Contingent liabilities	19,950	20,878
Commitments (excluding operating lease and capital commitments)	138,143	135,735
	<b>465,985</b>	<b>463,646</b>

<sup>a</sup> 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-sized 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
<b>Analysed by geography<sup>a</sup></b>					
Singapore	119,891	6,542	528	1,720	128,681
Malaysia	25,400	1,162	3,114	1,359	31,035
Thailand	11,643	3,312	2,438	51	17,444
Indonesia	11,389	777	863	22	13,051
Greater China	24,376	1,400	13,781	1,145	40,702
Others	19,582	4,950	12,414	6,321	43,267
<b>Total</b>	<b>212,281</b>	<b>18,143</b>	<b>33,138</b>	<b>10,618</b>	<b>274,180</b>

<sup>a</sup> 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
<b>Analysed by industry</b>					
Transport, storage and communication	8,897	-	-	1,128	10,025
Building and construction	48,761	-	-	325	49,086
Manufacturing	16,703	-	-	1,852	18,555
Financial institutions, investment and holding companies	11,778	-	33,138	3,913	48,829
General commerce	27,857	-	-	817	28,674
Professionals and private individuals	26,599	-	-	-	26,599
Housing loans	59,272	-	-	-	59,272
Government	-	18,143	-	-	18,143
Others	12,414	-	-	2,583	14,997
<b>Total</b>	<b>212,281</b>	<b>18,143</b>	<b>33,138</b>	<b>10,618</b>	<b>274,180</b>

## Contingent liabilities

	\$ million
<b>Analysed by geography<sup>a</sup></b>	
Singapore	8,926
Malaysia	2,713
Thailand	1,177
Indonesia	872
Greater China	2,781
Others	4,409
<b>Total</b>	<b>20,878</b>

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

	\$ million
<b>Analysed by industry</b>	
Transport, storage and communication	686
Building and construction	5,892
Manufacturing	2,035
Financial institutions, investment and holding companies	4,550
General commerce	6,139
Professionals and private individuals	135
Others	1,441
<b>Total</b>	<b>20,878</b>

## Commitments (excluding operating lease and capital commitments)

	\$ million
<b>Analysed by geography<sup>a</sup></b>	
Singapore	75,098
Malaysia	12,438
Thailand	8,965
Indonesia	5,389
Greater China	18,948
Others	14,897
<b>Total</b>	<b>135,735</b>

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

	\$ million
<b>Analysed by industry</b>	
Transport, storage and communication	4,143
Building and construction	22,794
Manufacturing	16,902
Financial institutions, investment and holding companies	11,407
General commerce	44,442
Professionals and private individuals	19,613
Housing Loan	5,008
Others	11,426
<b>Total</b>	<b>135,735</b>

### 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	6,754	5,255	2,982	3,104	-	-	6,273	24,368
Government treasury bills and securities	-	-	92	2,994	913	2,306	237	6,542
Other government treasury bills and securities	271	797	2,870	3,494	2,534	1,539	96	11,601
Trading debt securities	10	5	206	1,566	107	772	69	2,735
Placements and balances with banks	12,504	6,835	6,531	4,972	998	67	1,231	33,138
Loans to non-bank customers	11,592	17,947	11,303	14,966	34,081	112,484	6,071	208,444
Derivative financial assets	-	-	-	-	-	-	6,298	6,298
Investment debt securities	113	101	129	855	2,322	4,136	227	7,883
Others	-	-	-	-	-	-	6,024	6,024
<b>Total</b>	<b>31,244</b>	<b>30,940</b>	<b>24,113</b>	<b>31,951</b>	<b>40,955</b>	<b>121,304</b>	<b>26,526</b>	<b>307,033</b>

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

### Counterparty Credit Risk Exposures

	\$ million
Gross positive fair value of contracts	15,112
Netting effects	(5,646)
<b>Exposure under current exposure method</b>	<b>9,466</b>
Analysed by type:	
Interest rate contracts	3,805
Foreign exchange contracts and gold	3,053
Equity contracts	1,407
Credit derivative contracts	73
Precious metals and other commodity contracts	1,128
Collateral held	
Financial Collateral	(988)
Others	(13)
<b>Net derivatives credit exposure</b>	<b>8,465</b>

## Credit Derivative Exposures

	Notional amounts bought \$ million	Notional amounts sold \$ million
Own credit portfolio	27	694
Intermediation portfolio	243	243
<b>Total credit default swaps</b>	<b>270</b>	<b>937</b>

## Credit Exposures Secured by Eligible Collateral, Guarantees and Credit Derivatives

	Amount by which total exposures are covered by:	
	Eligible Collateral <sup>a</sup> \$ million	Credit Protection \$ million
<b>Standardised</b>		
Corporate	2,946	191
Sovereign	167	-
Bank	6	-
Retail	244	1
Commercial Real Estate	14	5
Others	998	3
<b>Standardised Total</b>	<b>4,375</b>	<b>200</b>
<b>FIRB</b>		
Corporate	19,981 <sup>b</sup>	13,089
Sovereign	1,451	-
Bank	4,627	49
<b>FIRB Total</b>	<b>26,059</b>	<b>13,138</b>
<b>Total</b>	<b>30,434</b>	<b>13,338</b>

<sup>a</sup> The Group currently uses supervisory prescribed haircuts for eligible financial collateral

<sup>b</sup> Include other eligible collateral of \$14,450 million

## Credit Exposures Subject to Standardised Approach

	Net Exposures <sup>a</sup> \$ million
<b>Risk Weights</b>	
0% to 35%	7,715
50% to 75%	2,632
100% and above	18,435
<b>Total</b>	<b>28,782</b>

<sup>a</sup> Net exposures after credit mitigation and provisions

### RWA based on the assessments of each recognized ECAI

ECAI	RWA \$ million
Moody's	615
S&P	224
Fitch	21
<b>Total</b>	<b>860</b>

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%	1,390	-
51% to 100%	2,518	-
101% and above	1,127	1,403
<b>Total</b>	<b>5,035</b>	<b>1,403</b>

SRW: Simple Risk Weight

Risk Weights	Securitisation <sup>a</sup> \$ million
0% to 50%	29
1250%	4
<b>Total</b>	<b>33</b>

<sup>a</sup> 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%	81,678	118,762	69
10 – 16	> 2.37%	20,702	14,916	139
Default		-	1,552	-
<b>Total</b>		<b>102,380</b>	<b>135,230</b>	<b>76</b>

SME : Small and Medium-sized 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	1,240	1,951	64
Good	1,318	1,550	85
Satisfactory	976	801	122
Weak	864	326	265
Default	-	407	-
<b>Total</b>	<b>4,398</b>	<b>5,035</b>	<b>87</b>

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%	1,075	34,501	3
10 – 16	> 0.28%	259	246	105
Default		-	-	NA
<b>Total</b>		<b>1,334</b>	<b>34,747</b>	<b>4</b>

## Bank Exposures

CRR Band	PD Range	Credit RWA \$ million	EAD \$ million	Exposure-weighted Average Risk Weights %
1 – 9	Up to 0.28%	3,808	31,247	12
10 – 16	> 0.28%	3,370	6,297	54
Default		-	-	NA
<b>Total</b>		<b>7,178</b>	<b>37,544</b>	<b>19</b>

## 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%	98	71	138
10 – 16	> 0.28%	634	149	425
Default		-	-	NA
<b>Total</b>		<b>732</b>	<b>220</b>	<b>333</b>

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%	4,284	51,447	8	11	3,518
>1% to 2%	1,284	7,478	17	10	230
>2%	4,373	10,980	40	12	596
Default	380	622	61	17	-
<b>Total</b>	<b>10,321</b>	<b>70,527</b>	<b>15</b>	<b>11</b>	<b>4,344</b>

### Retail (QRRE) Exposures

PD Band	Credit RWA \$ million	EAD \$ million	Exposure- weighted Average Risk Weights %	Exposure- weighted Average LGD %	Undrawn \$ million
Up to 1%	215	3,657	6	42	1,938
>1% to 2%	230	1,367	17	34	930
>2%	1,567	1,629	96	63	294
Default	109	45	242	70	-
<b>Total</b>	<b>2,121</b>	<b>6,698</b>	<b>32</b>	<b>46</b>	<b>3,162</b>

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%	1,597	13,201	12	17	2,120
>1% to 2%	568	2,185	26	22	508
>2%	1,947	4,755	41	25	474
Default	472	218	216	34	0
<b>Total</b>	<b>4,584</b>	<b>20,359</b>	<b>23</b>	<b>19</b>	<b>3,102</b>

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

	\$ million
<b>Performing Loans</b>	
Neither past due nor impaired	203,591
Past due but not impaired	5,634
<b>Non-Performing Loans</b>	3,056
<b>Total Gross Loans</b>	<b>212,281</b>
Specific Allowances	770
General Allowances	3,067
<b>Total Net Loans</b>	<b>208,444</b>

## Past due but not impaired Loans

	< 30 days \$ million	30 - 59 days \$ million	60 – 90 days \$ million	Total \$ million
<b>Analysed by past due period and geography<sup>a</sup></b>				
Singapore	2,012	478	124	2,614
Malaysia	720	255	117	1,092
Thailand	676	86	29	791
Indonesia	571	40	29	640
Greater China	48	27	9	84
Others	389	18	4	412
<b>Total*</b>	<b>4,417</b>	<b>904</b>	<b>312</b>	<b>5,633</b>

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

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

	< 30 days \$ million	30 - 59 days \$ million	60 – 90 days \$ million	Total \$ million
<b>Analysed by past due period and industry</b>				
Transport, storage and communication	605	13	54	672
Building and construction	631	126	79	835
Manufacturing	268	38	12	318
Financial institutions, investment and holding companies	64	6	27	97
General commerce	594	96	26	716
Professionals and private individuals	1,041	220	48	1,309
Housing Loans	1,021	396	64	1,481
Others	193	9	2	205
<b>Total*</b>	<b>4,417</b>	<b>904</b>	<b>312</b>	<b>5,633</b>

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

## Past due non-performing assets

	Current	< 90 days	90 - 180 days	> 180 days	Total
	\$ million	\$ million	\$ million	\$ million	\$ million
<b>Analysed by past due period and geography<sup>a</sup></b>					
Singapore	320	167	419	489	1395
Malaysia	56	80	51	264	451
Thailand	9	30	53	172	264
Indonesia	24	5	204	331	564
Greater China	18	1	20	137	176
Others	11	3	63	129	205
<b>Non-performing loan</b>	<b>438</b>	<b>286</b>	<b>810</b>	<b>1,522</b>	<b>3,056</b>
Debt Securities, contingent items and others	59	3	3	43	108
<b>Total</b>	<b>497</b>	<b>289</b>	<b>813</b>	<b>1,565</b>	<b>3,164</b>

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

	Current	< 90 days	90 - 180 days	> 180 days	Total
	\$ million	\$ million	\$ million	\$ million	\$ million
<b>Analysed by past due period and industry</b>					
Transport, storage and communication	221	157	233	306	917
Building and construction	34	12	27	136	209
Manufacturing	97	12	40	139	288
Financial institutions, investment and holding companies	1	1	1	70	73
General commerce	10	20	241	339	610
Professionals and private individuals	42	44	77	123	286
Housing Loans	15	37	123	388	563
Others	18	3	68	21	110
<b>Non-performing loan</b>	<b>438</b>	<b>286</b>	<b>810</b>	<b>1,522</b>	<b>3,056</b>
Debt Securities, contingent items and others	59	3	3	43	108
<b>Total</b>	<b>497</b>	<b>289</b>	<b>813</b>	<b>1,565</b>	<b>3,164</b>

## Movements in specific and general allowances

	Balance as at 1 January 2016	Net Charge to income statement	Write-off	Exchange & other movements	Balance at 30 June 2016
	\$ million	\$ million	\$ million	\$ million	\$ million
Specific Allowances*	773	208	(192)	(19)	770
General Allowances*	2,987	84	-	(4)	3,067
<b>Total</b>	<b>3,760</b>	<b>292</b>	<b>(192)</b>	<b>(23)</b>	<b>3,837</b>

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

## Movement of specific allowances by industry

	Balance as at 1 January 2016	Net Charge to income statement*	Write-off	Exchange & other movements	Balance at 30 June 2016
	\$ million	\$ million	\$ million	\$ million	\$ million
Transport, storage and communication	321	9	(66)	(11)	253
Building and construction	56	3	(2)	-	57
Manufacturing	103	34	(44)	(3)	90
Financial institutions, investment and holding companies	8	1	(4)	-	5
General commerce	128	71	(15)	(4)	180
Professionals and private individuals	71	45	(56)	(1)	59
Housing Loans	78	10	(3)	-	85
Others	8	35	(2)	-	41
<b>Total*</b>	<b>773</b>	<b>208</b>	<b>(192)</b>	<b>(19)</b>	<b>770</b>

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

## Allowances for credit and other losses

	\$ million
Specific allowances on:	
Loans	253
Investments	6
Others	(7)
General allowances	26
	<b>278</b>
Included in the allowances are the following:	
Bad debts written off	151
Bad debts recovery	(41)

\* 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	761
Equity	21
Foreign Exchange	824
Commodity	57
<b>Total</b>	<b>1,663</b>

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

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	732	318	138	283
Other equity holdings	671	424	82	417
<b>Total</b>	<b>1,403</b>		<b>220</b>	

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

Total equity exposures that were deducted from capital amounted to \$56 million.

### Gains and Losses

	Unrealised Gains/(Losses) Eligible as CET1 Capital \$ million	Realised Gains/(Losses) during the Period \$ million
<b>Total</b>	<b>826</b>	<b>5</b>

### Investment securities

	\$ million
Quoted securities	
Debt	6,026
Equity	793
Unquoted securities	
Debt	1,939
Equity	1,979
Allowance for impairment	(175)
<b>Investment securities*</b>	<b>10,562</b>

\* 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 \$81 million and \$139 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.