

Pillar 3 Quantitative Disclosure

In compliance with the requirements under Basel Pillar 3 and the Monetary Authority of Singapore (MAS) Notice 637 Public Disclosure, various additional quantitative and qualitative disclosures have been 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.

Scope of Application

In accordance with the accounting standards for financial reporting, all subsidiaries of the Group are fully consolidated from the date the Group obtains control until the date such control ceases. The Group's investment in associates is accounted for using the equity method from the date the Group obtains significant influence over the associates until the date such significant influence ceases.

However, for the purpose of computing capital adequacy requirements at the Group level, investments in a subsidiary that carries out insurance business as an insurer are excluded from the consolidated financial statements of the Group. In compliance with MAS Notice 637 on capital adequacy, such investments are deducted from regulatory capital.

The transfer of funds or regulatory capital within the Group is generally subject to regulatory approval.

* Semi-annual updates are available on UOB's website at www.UOBGroup.com

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 Exposures

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 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.

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 | 14,452 | 2,395 | 3,121 | 4,117 | – | – | 6,458 | 30,543 |
| Singapore 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 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.

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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) |
| Other | (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 Recognised 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-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 | 1,422 | 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

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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 (EL) that was estimated for 2015 at the end of December 2014. The Group continues to be proactive in its risk management approach to ensure that actual losses remained within the Group's expectations.

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; and
- 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 and 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 |

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Movement of Specific Allowances by Industry

| | Balance as at 1 January 2015 \$ million | Net charge to income statement* \$ million | Write-off \$ million | Exchange and 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.

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 | |

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 |