

UNITED OVERSEAS BANK (MALAYSIA) BHD
(Company No. 271809K)
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

PILLAR 3 DISCLOSURE
30 JUNE 2014

Domiciled in Malaysia
Registered Office:
Level 11, Menara UOB
Jalan Raja Laut,
50350 Kuala Lumpur

United Overseas Bank (Malaysia) Bhd
(Incorporated in Malaysia)

PILLAR 3 DISCLOSURE AS AT 30 JUNE 2014

1. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) issued on 28 November 2012, which is effective from 1 January 2013 and Basel II - Risk-weighted Assets framework.

(a) Capital Structure

	2014		2013	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
<u>Common Equity Tier 1 (CET1) Capital</u>				
Paid-up share capital	470,000	470,000	470,000	470,000
Share premium	322,555	322,555	322,555	322,555
Retained profits - audited	4,563,057	4,459,689	4,910,252	4,806,883
Statutory reserve	470,000	470,000	470,000	470,000
Other reserves	202,547	83,480	113,793	(5,274)
Regulatory adjustments applied in the calculation of CET1 Capital	(401,775)	(285,048)	(343,300)	(226,563)
Total CET1 / Tier 1 capital	<u>5,626,384</u>	<u>5,520,676</u>	<u>5,943,300</u>	<u>5,837,601</u>
<u>Tier 2 capital</u>				
Tier II capital instruments	900,000	900,000	950,000	950,000
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	197,398	202,686	193,348	198,014
- Collective impairment provisions	35,347	30,059	34,322	29,656
Regulatory adjustments applied in the calculation of Tier 2 Capital	(42,274)	(95,822)	(66,219)	(119,778)
Total Tier II capital	<u>1,090,471</u>	<u>1,036,923</u>	<u>1,111,451</u>	<u>1,057,892</u>
Total capital	<u>6,716,855</u>	<u>6,557,599</u>	<u>7,054,751</u>	<u>6,895,493</u>

(b) The capital adequacy ratios of the Group and the Bank are as follows:

	2014		2013	
	Group	Bank	Group	Bank
CET1/ Tier 1 ratio	13.441%	13.269%	14.980%	14.801%
Total Capital	<u>16.046%</u>	<u>15.762%</u>	<u>17.781%</u>	<u>17.483%</u>

**PILLAR 3 DISCLOSURE
AS AT 30 JUNE 2014****2. CAPITAL ADEQUACY**

The aggregate breakdown of risk weighted assets ("RWA") by exposure in each category of the Bank for the current period ended 30 June 2014 are as follows:-

RM'000					
Item	Exposure Class	Gross Exposures / EAD before CRM	Net Exposures / EAD after CRM	Risk Weighted Assets	Minimum Capital Requirement at 8%
1.0	Credit Risk				
1.1	Exempted Exposure under Standardised Approach				
	On-Balance Sheet Exposure				
	Corporates	1,484,605	1,479,874	786,630	62,930
	Other Assets	445,811	445,811	321,664	25,733
	Defaulted Exposures	6,945	6,945	10,406	833
	Total for On-Balance Sheet Exposures	1,937,361	1,932,630	1,118,700	89,496
	Off-Balance Sheet Exposures				
	OTC Derivatives	109,065	109,065	80,811	6,465
	Off balance sheet exposure other than OTC derivatives or credit derivatives	191,357	184,284	184,284	14,743
	Total for Off-Balance Sheet Exposure	300,422	293,349	265,095	21,208
	Total On and Off-Balance Sheet Exposures	2,237,783	2,225,979	1,383,795	110,704
1.2	Exposure under the FIRB Approach				
	On-Balance Sheet Exposure				
	Sovereigns/Central Bank	22,281,118	22,281,118	-	-
	Banks, Development Financial Institutions & MDBs	787,095	787,095	110,249	8,820
	Corporates Exposures	22,396,742	20,805,780	21,210,990	1,696,879
	Equity (Simple Risk Weight)	150,338	150,338	597,012	47,761
	Defaulted Exposures	598,064	584,601	-	-
	Total for On-Balance Sheet Exposures	46,213,357	44,608,932	21,918,251	1,753,460
	Off-Balance Sheet Exposures				
	OTC Derivatives	663,254	660,409	276,547	22,124
	Off balance sheet exposure other than OTC derivatives or credit derivatives	4,636,673	3,990,837	3,338,128	267,050
	Defaulted Exposures	10,781	7,601	-	-
	Total for Off-Balance Sheet Exposure	5,310,708	4,658,847	3,614,675	289,174
	Total On and Off-Balance Sheet Exposures (FIRB)	51,524,065	49,267,779	25,532,926	2,042,634
	Exposure under the AIRB Approach				
	On-Balance Sheet Exposure				
	Residential Mortgages	26,047,420	26,047,420	2,854,429	228,354
	Qualifying Revolving Retail Exposures	2,042,203	2,042,203	951,840	76,147
	Other Retail Exposures	13,571,107	13,573,865	2,839,091	227,127
	Defaulted Exposures	552,419	552,419	510,196	40,816
	Total for On-Balance Sheet Exposures	42,213,149	42,215,907	7,155,556	572,444
	Off-Balance Sheet Exposures				
	OTC Derivatives	344	344	117	9
	Off balance sheet exposure other than OTC derivatives or credit derivatives	2,985,896	2,983,138	472,044	37,764
	Defaulted Exposures	209	209	224	18
	Total for Off-Balance Sheet Exposure	2,986,449	2,983,691	472,385	37,791
	Total On and Off-Balance Sheet Exposures (AIRB)	45,199,598	45,199,598	7,627,941	610,235
	Total (Exempted Exposures and Exposures under IRB Approach)	96,723,663	94,467,377	33,160,867	2,652,869
	Total (Exempted Exposures and Exposures under IRB Approach) after scaling factor	-	-	35,150,519	2,812,042
2.0	Large Exposures Risk Requirement	-	-	-	-
3.0	Market Risk (Standardised Approach)				
		Long Position	Short Position		
	Interest Rate Risk	24,407,803	19,341,846	420,748	33,660
	Foreign Currency Risk	279,547	25,049	304,596	24,368
	Commodity Risk	-	-	167,902	13,432
	Options Risk	-	-	70,546	5,644
4.0	Operational Risk (Basic Indicator Approach)			4,106,744	328,540
5.0	Total RWA and Capital Requirements			41,604,850	3,328,388

**PILLAR 3 DISCLOSURE
AS AT 30 JUNE 2014****2. CAPITAL ADEQUACY (Cont'd.)**

The aggregate breakdown of risk weighted assets ("RWA") by exposure in each category of the Bank for the year ended 31 December 2013 are as follows:-

					RM'000
Item	Exposure Class	Gross Exposures / EAD before CRM	Net Exposures / EAD after CRM	Risk Weighted Assets	Minimum Capital Requirement at 8%
1.0	<u>Credit Risk</u>				
1.1	<u>Exempted Exposures under Standardised Approach</u>				
	<u>On-Balance Sheet Exposures</u>				
	Banks, Development Financial Institutions & MDBs	24	24	12	1
	Corporates	1,402,853	1,395,961	825,804	66,064
	Other Assets	470,005	470,005	355,497	28,440
	Defaulted Exposures	7,318	7,317	10,976	878
	Total for On-Balance Sheet Exposures	1,880,200	1,873,307	1,192,289	95,383
	<u>Off-Balance Sheet Exposures</u>				
	OTC Derivatives	143,400	143,400	110,874	8,870
	Off Balance sheet exposures other than OTC derivatives or credit derivatives	124,444	117,399	117,399	9,392
	Total Off-Balance Sheet Exposures	267,843	260,799	228,273	18,262
	Total On and Off-Balance Sheet Exposures (STD)	2,148,043	2,134,106	1,420,562	113,645
1.2	<u>Exposures under FIRB Approach</u>				
	<u>On-Balance Sheet Exposures</u>				
	Sovereigns/Central Banks	23,259,968	23,259,968	-	-
	Banks, Development Financial Institutions & MDBs	1,094,133	1,094,133	108,643	8,691
	Corporate Exposures	21,719,053	20,089,590	20,051,587	1,604,127
	Equity (Simple Risk Weight)	33,572	33,572	130,350	10,428
	Defaulted Exposures	545,509	532,776	-	-
	Total for On-Balance Sheet Exposures	46,652,235	45,010,038	20,290,581	1,623,246
	<u>Off-Balance Sheet Exposures</u>				
	OTC Derivatives	685,309	663,050	312,792	25,023
	Off Balance sheet exposures other than OTC derivatives or credit derivatives	4,506,825	3,866,862	3,384,722	270,778
	Defaulted Exposures	1,962	1,536	-	-
	Total Off-Balance Sheet Exposures	5,194,097	4,531,449	3,697,513	295,801
	Total On and Off-Balance Sheet Exposures (FIRB)	51,846,332	49,541,486	23,988,095	1,919,048
	<u>Exposures under AIRB Approach</u>				
	<u>On-Balance Sheet Exposures</u>				
	Corporate Exposures	38,693	42,138	23,690	1,895
	Residential Mortgages	25,051,349	25,051,349	2,881,675	230,534
	Qualifying Revolving Retail Exposures	1,939,008	1,939,008	915,703	73,256
	Other Retail Exposures	13,027,183	13,027,183	2,808,471	224,678
	Defaulted Exposures	550,376	550,376	442,316	35,385
	Total for On-Balance Sheet Exposures	40,606,610	40,610,055	7,071,854	565,748
	<u>Off-Balance Sheet Exposures</u>				
	OTC Derivatives	1,337	1,337	599	48
	Off Balance sheet exposures other than OTC derivatives or credit derivatives	2,891,415	2,891,415	474,593	37,967
	Defaulted Exposures	180	180	304	24
	Total Off-Balance Sheet Exposures	2,892,932	2,892,932	475,496	38,040
	Total On and Off-Balance Sheet Exposures (AIRB)	43,499,542	43,502,987	7,547,350	603,788
	Total (Exempted Exposures and Exposures under IRB Approach)	95,345,874	93,044,473	31,535,444	2,522,836
	Total (Exempted Exposures and Exposures under IRB Approach) after scaling factor	-	-	33,427,571	2,674,206
2.0	<u>Large Exposures Risk Requirement</u>	-	-	-	-
3.0	<u>Market Risk</u>				
		Long Position	Short Position		
	Interest Rate Risk	15,336,907	8,227,792	604,070	48,326
	Foreign Currency Risk	39,775	(29,936)	41,805	3,344
	Options Risk	-	-	30,717	2,457
4.0	<u>Operational Risk (Basic indicator approach)</u>			3,916,707	313,337
5.0	<u>Total RWA and Capital Requirements</u>			39,441,432	3,155,315

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CREDIT RISK

(i) Credit exposure by sector

Bank 30 June 2014	Sovereigns/ Central Banks	Public Sector Entities	Banks, Development Financial Institutions & MDBs	Insurance Cos, Securities Firms & Fund Managers	Corp (including Specialised lending & SME)	Retail	Residential Mortgages	Equity Exposures	Other Assets	Grand Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture, Hunting, Forestry & Fishing	-	-	-	-	475,120	-	-	-	-	475,120
Mining & Quarrying	-	-	-	-	6,305	-	-	-	-	6,305
Manufacturing	-	-	-	-	2,326,695	-	-	-	-	2,326,695
Electricity, Gas & Water	-	-	-	-	6,321	-	-	-	-	6,321
Construction	-	-	-	-	2,578,583	-	-	-	-	2,578,583
Wholesale, Retail Trade, Restaurant & Hotels	-	-	-	-	1,705,862	-	-	-	-	1,705,862
Transport, Storage & Communication	-	-	-	-	215,057	-	-	-	-	215,057
Finance, Insurance & Business Services	230,808	-	1,734,794	114,485	632,906	-	-	-	-	2,712,993
Real Estate	-	-	-	-	1,158,774	-	-	-	-	1,158,774
Community, Social & Personal Services	-	-	-	-	17,232	-	-	-	-	17,232
Households	-	-	-	-	782	18,087,429	27,112,169	-	-	45,200,380
Others	22,050,310	16,408	-	-	19,809,400	-	-	150,338	-	42,026,456
Other assets not subject to credit risk	-	-	-	-	-	-	-	-	531,668	531,668
Grand Total	22,281,118	16,408	1,734,794	114,485	28,933,037	18,087,429	27,112,169	150,338	531,668	98,961,446

(ii) Credit exposure by remaining contractual maturities

Bank 30 June 2014	Sovereigns/ Central Banks	Public Sector Entities	Banks, Development Financial Institutions & MDBs	Insurance Cos, Securities Firms & Fund Managers	Corp (including Specialised lending & SME)	Retail	Residential Mortgages	Equity Exposures	Other Assets	Grand Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
< 3 Mth	1,647,997	1,956	93,181	1,625	1,908,511	173,534	-	-	1,952	3,828,756
3 - 6 Mths	-	2,409	40,563	783	7,538	-	-	-	-	51,293
6 - 12 mths	-	4,817	26,991	-	24,784	238	-	-	-	56,830
1 - 3 Yrs	19,382,868	7,226	1,205,644	100,479	15,919,143	5,861,283	1,369,875	-	529,716	44,376,234
3 - 5 Yrs	1,250,253	-	344,770	11,008	4,476,518	358,229	271,254	-	-	6,712,032
> 5 Yrs	-	-	23,645	590	6,596,543	11,694,145	25,471,040	150,338	-	43,936,301
Grand Total	22,281,118	16,408	1,734,794	114,485	28,933,037	18,087,429	27,112,169	150,338	531,668	98,961,446

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CREDIT RISK (Cont'd)

(i) Credit exposure by sector

Bank 31 December 2013	Sovereigns/ Central Banks	Public Sector Entities	Banks, Development Financial Institutions & MDBs	Insurance Cos, Securities Firms & Fund Managers	Corp (including Specialised lending & SME)	Retail	Residential Mortgages	Equity Exposures	Other Assets	Grand Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture, Hunting, Forestry & Fishing	-	-	-	-	373,741	-	-	-	-	373,741
Mining & Quarrying	-	-	-	-	379,022	-	-	-	-	379,022
Manufacturing	-	-	12,049	-	6,250,337	-	-	-	-	6,262,386
Electricity, Gas & Water	-	-	-	-	117,498	-	-	-	-	117,498
Construction	-	-	44,762	-	3,723,733	-	-	-	-	3,768,495
Wholesale, Retail Trade, Restaurant & Hotels	-	-	7,208	-	7,391,095	-	-	-	-	7,398,303
Transport, Storage & Communication	-	-	-	-	885,427	-	-	-	-	885,427
Finance, Insurance & Business Services	81,323	-	2,093,889	156,565	2,695,855	-	-	-	-	5,027,632
Real Estate	-	-	1	-	1,119,967	-	-	-	-	1,119,968
Community, Social & Personal Services	-	-	-	-	1,899,757	-	-	-	-	1,899,757
Households	-	-	-	-	199	17,356,827	26,076,851	-	-	43,433,877
Others	23,178,645	29,735	-	-	3,081,529	-	-	33,572	-	26,323,481
Other assets not subject to credit risk	-	-	-	-	-	-	-	-	504,329	504,329
Grand Total	23,259,968	29,735	2,157,909	156,565	27,918,160	17,356,827	26,076,851	33,572	504,329	97,493,916

(ii) Credit exposure by remaining contractual maturities

Bank 31 December 2013	Sovereigns/ Central Banks	Public Sector Entities	Banks, Development Financial Institutions & MDBs	Insurance Cos, Securities Firms & Fund Managers	Corp (including Specialised lending & SME)	Retail	Residential Mortgages	Equity Exposures	Other Assets	Grand Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
< 3 Mth	2,149,113	-	121,494	2,664	1,953,136	179,094	-	-	537	4,406,038
3 - 6 Mths	-	-	17,049	2,787	21,375	920	-	-	-	42,131
6 - 12 mths	-	-	9,983	-	3,319	-	-	-	-	13,302
1 - 3 Yrs	20,031,709	29,735	1,604,788	142,172	15,606,846	5,865,468	1,319,356	-	503,792	45,103,866
3 - 5 Yrs	1,079,146	-	377,572	8,942	3,811,155	11,311,345	24,757,495	-	-	41,345,655
> 5 Yrs	-	-	27,023	-	6,522,329	-	-	33,572	-	6,582,924
Grand Total	23,259,968	29,735	2,157,909	156,565	27,918,160	17,356,827	26,076,851	33,572	504,329	97,493,916

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CREDIT RISK (Cont'd)

For exposures subject to the Standardised Approach, approved External Credit Assessment Institutions (“ECAI”) ratings and prescribed risk weights based on asset class are used in the computation of regulatory capital.

The ECAI used by the Bank are Rating Agency Malaysia, Fitch Ratings, Moody’s Investors Service, Malaysian Rating Corporation Berhad and Standard & Poor’s. ECAI ratings are mapped to a common credit quality grade prescribed by Bank Negara Malaysia.

(vi) The aggregate breakdown of credit risk exposure by risk weights of the bank are as follows:

Risk Weights	Bank - 30th June 2014							
	PSEs	Banks, MDBs and FDIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Other Assets	Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	-	-	-	-	-	122,420	122,420	-
10%	-	-	-	-	-	-	-	-
20%	16,408	482	-	866,555	-	-	883,445	176,689
35%	-	-	-	-	-	-	-	-
50%	-	32,938	-	11	-	-	32,949	16,474
75%	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-
100%	-	-	111,899	660,812	-	407,521	1,180,232	1,180,232
110%	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-
150%	-	-	-	6,933	-	-	6,933	10,400
270%	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-
1250.0%	-	-	-	-	-	-	-	-
Total	16,408	33,420	111,899	1,534,311	-	529,941	2,225,979	1,383,795

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CREDIT RISK (Cont'd)

Risk Weights	Bank - 31st December 2013							
	PSEs	Banks, MDBs and FDIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Other Assets	Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	-	-	-	-	-	114,508	114,508	-
10%	-	-	-	-	-	-	-	-
20%	29,735	4,777	-	712,696	-	-	747,207	149,441
35%	-	-	-	-	-	-	-	-
50%	-	9,857	-	-	-	-	9,857	4,929
75%	-	-	-	-	-	-	-	-
90%	-	-	-	-	-	-	-	-
100%	-	-	155,464	709,931	-	389,821	1,255,217	1,255,217
110%	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-
150%	-	-	-	7,316	-	-	7,317	10,975
270%	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-
1250.0%	-	-	-	-	-	-	-	-
Total	29,735	14,634	155,464	1,429,943	-	504,329	2,134,106	1,420,562

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CREDIT RISK (Cont'd)

(vii) Rated exposures according to ratings by ECAI's

		Ratings of Corporate by Approved ECAIs					RM'000
Exposure Class 30 June 2014	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	B1 to C	Unrated	
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated	
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
	On and Off-Balance-Sheet Exposures						
Credit Exposures (using Corporate Risk Weights)							
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		0	0	0	0	16,408	
Insurance Cos, Securities Firms & Fund Managers		0	0	0	0	114,485	
Corporates		866,555	0	0	0	750,193	
Total		866,555	0	0	0	881,086	

		Ratings of Banking Institutions by Approved ECAIs						RM'000
Exposure Class 30 June 2014	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated	
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated	
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated	
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated	
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated	
On and Off-Balance-Sheet Exposures								
Banks, MDBs and FDIs		0	30,675	0	0	0	2,744	
Total		0	30,675	0	0	0	2,744	

		Ratings of Corporate by Approved ECAIs					RM'000
Exposure Class 31 December 2013	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	B1 to C	Unrated	
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated	
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
	On and Off-Balance-Sheet Exposures						
Credit Exposures (using Corporate Risk Weights)							
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		0	0	0	0	29,735	
Insurance Cos, Securities Firms & Fund Managers		0	0	0	0	156,565	
Corporates		712,696	0	0	0	730,084	
Total		712,696	0	0	0	916,384	

		Ratings of Banking Institutions by Approved ECAIs						RM'000
Exposure Class 31 December 2013	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated	
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated	
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated	
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated	
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated	
On and Off-Balance-Sheet Exposures								
Banks, MDBs and FDIs		3,227	10,619	0	0	0	788	
Total		3,227	10,619	0	0	0	788	

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CREDIT RISK (Cont'd)

Credit risk profile

The following tables show the breakdown of exposures by risk-weighted asset ("RWA") and EAD for the Bank using the respective internal rating scale for the model applicable to the asset classes for the current period ended 30 June 2014:

Exposures under the IRB Approach by Risk Grade (Non-Retail)

	RM'000		
CRR Band	1-9	10-16	17-20 (Default)
Total Non Retail Exposures (EAD)			
Large Corporate, SME and Specialised Lending (IPRE)	18,782,326	7,976,936	611,677
Specialised Lending (CF and PF)	0	0	0
Sovereign	22,281,118	0	0
Bank	1,693,619	7,756	0
Total Exposure	42,757,063	7,984,692	611,677
Undrawn Commitments			
Large Corporate, SME and Specialised Lending (IPRE)	431,195	147,471	0
Specialised Lending (CF and PF)	0	0	0
Sovereign	0	0	0
Bank	0	0	0
Total Exposure Undrawn Commitments	431,195	147,471	0
Exposure-Weighted Average LGD (%)			
Large Corporate, SME and Specialised Lending (IPRE)	51.15%	53.00%	65.52%
Specialised Lending (CF and PF)	0.00%	0.00%	0.00%
Sovereign	45.00%	0.00%	0.00%
Bank	45.00%	45.00%	0.00%
Exposure-Weighted Average Risk Weight (%)			
Large Corporate, SME and Specialised Lending (IPRE)	75.50%	129.19%	0%
Specialised Lending (CF and PF)	0%	0%	0%
Sovereign	0%	0%	0%
Bank	27.90%	62.95%	0%

	RM'000			
PD Range of Retail Exposure	0.00% to 1.00%	1.01% to 2.00%	2.01% to 99.99%	SD to default
Total Retail Exposure (EAD)				
Residential Mortgage	21,169,899,841	632,903,763	4,952,832,586	356,533,041
Qualifying Revolving Retail	932,746,704	415,929,256	1,131,604,753	26,043,018
Other Retail	4,881,520,067	1,734,598,915	8,794,707,653	170,278,619
Total Exposure	26,984,166,612	2,783,431,934	14,879,144,992	552,854,678
Undrawn Commitments				
Residential Mortgage	675,072,000	4,685,418	28,458,432	-
Qualifying Revolving Retail	274,905,593	85,679,951	77,492,184	-
Other Retail	1,433,156,137	191,120,107	212,568,023	-
Total Undrawn Commitments	2,383,133,730	281,485,476	318,518,639	-
Exposure Weighted Average LGD (%)				
Residential Mortgage	10.68%	10.45%	10.40%	10.87%
Qualifying Revolving Retail	31.35%	46.33%	52.06%	65.57%
Other Retail	24.50%	27.76%	13.70%	27.64%
Exposure Weighted Average Risk Weight (%)				
Residential Mortgage	6.16%	15.96%	30.08%	62.03%
Qualifying Revolving Retail	6.17%	20.76%	77.54%	336.63%
Other Retail	18.86%	31.19%	19.78%	118.39%

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CREDIT RISK (Cont'd)

The following tables show the breakdown of exposures by risk-weighted asset (“RWA”) and EAD for the Bank using the respective internal rating scale for the model applicable to the asset classes for the year ended 31 December 2013:

	RM'000		
CRR Band	1-9	10-16	17-20 (Default)
Total Non Retail Exposures (EAD)			
Large Corporate, SME and Specialised Lending (IPRE)	18,308,650	7,618,594	547,923
Specialised Lending (CF and PF)	0	0	0
Sovereign	23,259,968	0	0
Bank	2,137,316	5,870	0
Total Exposure	43,705,934	7,624,464	547,923
Undrawn Commitments			
Large Corporate, SME and Specialised Lending (IPRE)	339,005	58,127	154
Specialised Lending (CF and PF)	0	0	0
Sovereign	0	0	0
Bank	0	0	0
Total Exposure Undrawn Commitments	339,005	58,127	154
Exposure-Weighted Average LGD (%)			
Large Corporate, SME and Specialised Lending (IPRE)	39.78%	39.36%	40.92%
Specialised Lending (CF and PF)	0.00%	0.00%	0.00%
Sovereign	45.00%	0.00%	0.00%
Bank	45.00%	45.00%	0.00%
Exposure-Weighted Average Risk Weight (%)			
Large Corporate, SME and Specialised Lending (IPRE)	76.24%	123.64%	0%
Specialised Lending (CF and PF)	0%	0%	0%
Sovereign	0%	0%	0%
Bank	23.71%	59.39%	0%

	RM'000			
PD Range of Retail Exposure	0.00% to 1.00%	1.01% to 2.00%	2.01% to 99.99%	SD to default
Total Retail Exposure (EAD)				
Residential Mortgage	19,952,065	665,685	5,107,427	351,674
Qualifying Revolving Retail	829,688	394,073	1,072,455	24,352
Other Retail	4,767,706	1,748,993	8,344,670	174,890
Total Exposure	25,549,459	2,808,751	14,524,552	550,916
Undrawn Commitments				
Residential Mortgage	633,142	7,941	32,744	-
Qualifying Revolving Retail	211,524	73,980	71,704	-
Other Retail	1,403,367	190,071	239,985	180
Total Undrawn Commitments	2,248,033	271,992	344,433	180
Exposure Weighted Average LGD (%)				
Residential Mortgage	10.72%	10.49%	10.45%	10.92%
Qualifying Revolving Retail	32.03%	45.97%	51.87%	65.60%
Other Retail	24.41%	27.39%	14.32%	27.53%
Exposure Weighted Average Risk Weight (%)				
Residential Mortgage	6.21%	16.01%	30.85%	58.59%
Qualifying Revolving Retail	6.35%	20.46%	78.52%	327.50%
Other Retail	18.55%	30.70%	21.05%	89.67%

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CREDIT RISK (Cont'd)

Retail Exposures under the IRB Approach by Expected Loss Range are as follows:

30 June 2014

RM'000

EL% Range of Retail Exposure	0 to 1.0%	1.0 to 5.0%	5.0 to 10.0%	10.0 to 30.0%	30.0% to 100%
<u>Total Retail Exposure (EAD)</u>					
Residential Mortgage	26,061,711,621	915,153,015	-	135,304,595	-
Qualifying Revolving Retail	1,354,457,164	748,598,160	161,291,735	166,843,721	75,132,951
Other Retail	14,600,017,822	680,867,468	169,506,288	85,965,628	44,748,049
Total Exposure	42,016,186,607	2,344,618,643	330,798,023	388,113,944	119,881,000
<u>Undrawn Commitments</u>					
Residential Mortgage	707,644,406	571,444	-	-	-
Qualifying Revolving Retail	343,348,947	80,981,184	10,210,392	3,118,685	418,520
Other Retail	1,762,179,262	67,177,242	5,798,689	1,897,725	-
Total Undrawn Commitments	2,813,172,615	148,729,870	16,009,081	5,016,410	418,520
<u>Exposure Weighted Average Risk Weight (%)</u>					
Residential Mortgage	9.61%	66.92%	0.00%	0.02%	0.00%
Qualifying Revolving Retail	9.38%	50.46%	115.86%	170.74%	176.32%
Other Retail	18.65%	55.73%	121.10%	106.62%	8.82%

31 December 2013

RM'000

EL% Range of Retail Exposure	0 to 1.0%	1.0 to 5.0%	5.0 to 10.0%	10.0 to 30.0%	30.0% to 100%
<u>Total Retail Exposure (EAD)</u>					
Residential Mortgage	24,901,955	1,035,263	-	139,633	-
Qualifying Revolving Retail	1,240,054	692,104	154,142	164,710	69,559
Other Retail	13,905,655	737,775	236,888	95,629	60,312
Total Exposure	40,047,664	2,465,142	391,030	399,972	129,871
<u>Undrawn Commitments</u>					
Residential Mortgage	673,338	489	-	-	-
Qualifying Revolving Retail	272,927	73,156	7,700	2,998	428
Other Retail	1,726,820	90,947	12,559	3,260	17
Total Undrawn Commitments	2,673,085	164,592	20,259	6,258	445
<u>Exposure Weighted Average Risk Weight (%)</u>					
Residential Mortgage	9.86%	64.95%	0.00%	0.01%	0.00%
Qualifying Revolving Retail	9.76%	50.66%	115.95%	170.29%	178.73%
Other Retail	18.62%	55.05%	109.88%	66.56%	26.34%

CREDIT RISK MITIGATION

The credit risk mitigation of the bank for the current period ended 30 June 2014 are as follows:

RM'000

Exposure Class	Exposures before CRM	Exposures Covered by guarantees / Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
<u>Credit Risk</u>				
<u>On-Balance Sheet Exposure & Off Balance Sheet Exposures</u>				
Sovereign/ Central Banks	22,281,118	-	-	-
Publis Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	787,095	-	-	-
Insurances Cos, Securities Firms & Fund Managers	114,485	-	-	-
Corporates	23,766,700	1,231,641	1,319,900	275,793
Regulatory Retail	15,616,009	-	-	-
Residential Mortgages	26,047,420	-	-	-
Higher Risk Assets	-	-	-	-
Other Assets	445,811	-	-	-
Specialised Financing / Investment	-	-	-	-
Equity Exposure	150,338	-	-	-
Securitisation Exposures	-	-	-	-
Defaulted Exposures	903,678	19,000	10,253	553
Total for On-Balance Sheet Exposures	90,112,654	1,250,641	1,330,153	276,346
<u>Off-Balance Sheet Exposures</u>				
OTC Derivatives	772,663	1,151	2,845	-
Credit Derivatives	-	-	-	-
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	7,811,168	257,225	650,916	1,993
OTC derivatives or credit derivatives	-	-	-	-
Defaulted Exposures	10,140	-	3,128	-
Total for Off-Balance Sheet Exposures	8,593,971	258,376	656,889	1,993
Total for On and Off -Balance Sheet Exposures	98,706,625	1,509,017	1,987,042	278,339

The credit risk mitigation of the bank for the year ended 31 December 2013 are as follows:

RM'000

Exposure Class	Exposures before CRM	Exposures Covered by guarantees / Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
<u>Credit Risk</u>				
<u>On-Balance Sheet Exposure & Off Balance Sheet Exposures</u>				
Sovereign/ Central Banks	23,259,968	-	-	-
Publis Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	1,094,156	-	-	-
Insurances Cos, Securities Firms & Fund Managers	156,565	-	-	-
Corporates	23,003,929	1,147,219	1,397,013	235,897
Regulatory Retail	14,966,134	-	-	-
Residential Mortgages	25,051,349	-	-	-
Higher Risk Assets	-	-	-	-
Other Assets	470,005	-	-	-
Specialised Financing / Investment	-	-	-	-
Equity Exposure	33,572	-	-	-
Securitisation Exposures	-	-	-	-
Defaulted Exposures	828,836	-	12,215	-
Total for On-Balance Sheet Exposures	88,864,514	1,147,219	1,409,228	235,897
<u>Off-Balance Sheet Exposures</u>				
OTC Derivatives	830,046	1,839	6,319	175
Credit Derivatives	-	-	-	-
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	7,522,684	88,786	643,793	3,214
OTC derivatives or credit derivatives	-	-	-	-
Defaulted Exposures	1,414	-	374	-
Total for Off-Balance Sheet Exposures	8,354,144	90,625	650,485	3,388
Total for On and Off -Balance Sheet Exposures	97,218,658	1,237,843	2,059,714	239,285

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OFF-BALANCE SHEET AND COUNTERPARTY CREDIT RISK

Credit exposures from foreign exchange and derivatives

Pre-settlement limits for FX and derivative transactions are established using the potential future exposures (PFE) approach. This approach takes into consideration the transaction currency and tenor to address the credit risk exposures arising from adverse market movements.

The Off-Balance sheet exposure and their related counterparty credit risk of the Bank for the period ended 30 June 2014 is as follows:-

RM'000				
Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Direct Credit Substitutes	2,274,751		2,274,751	1,628,998
Transaction related contingent items	3,664,199		1,810,624	1,023,508
Short term Self Liquidating trade related contingencies	318,947		76,474	47,028
Foreign exchange related contracts	16,425,978	114,875	298,904	110,993
One year or less	16,028,748	98,679	260,844	72,933
Over one year to five years	397,230	16,196	38,060	38,060
Interest/profit rate related contracts	19,249,577	93,720	534,214	289,792
One year or less	5,010,542	6,295	20,631	7,478
Over one year to five years	13,978,599	83,098	493,405	267,827
Over five years	260,436	4,327	20,178	14,487
Equity related contracts	1,012,298	16,059	45,944	20,880
One year or less	800,504	15,373	36,786	17,429
Over one year to five years	211,794	686	9,158	3,451
Other Commodity Contracts	67,179	753	7,396	5,597
One year or less	67,179	753	7,396	5,597
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	2,690,137		872,093	788,818
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	8,787,477		593,037	136,225
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	7,226,079		2,084,140	258,627
Unutilised credit card lines	-		-	-
Total	61,716,622	225,407	8,597,577	4,310,466

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OFF-BALANCE SHEET AND COUNTERPARTY CREDIT RISK (Cont'd.)

Credit exposures from foreign exchange and derivatives

The Off-Balance sheet exposure and their related counterparty credit risk of the Bank for the year ended 31 December 2013 is as follows:-

	RM'000			
Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Direct Credit Substitutes	2,438,929		2,438,883	1,742,235
Transaction related contingent items	3,422,435		1,690,834	1,165,257
Short term Self Liquidating trade related contingencies	287,869		74,871	39,893
Foreign exchange related contracts	13,557,153	192,104	357,695	164,846
One year or less	13,190,156	164,451	304,352	111,503
Over one year to five years	366,997	27,653	53,343	53,343
Interest/profit rate related contracts	17,473,403	135,600	586,180	348,299
One year or less	2,985,298	8,155	14,802	11,969
Over one year to five years	14,146,871	118,654	542,114	310,408
Over five years	341,234	8,790	29,264	25,922
Equity related contracts	686,601	4,433	28,490	10,716
One year or less	653,281	4,433	26,001	10,033
Over one year to five years	33,320	-	2,489	683
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	707,051		558,416	509,399
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	8,154,523		598,899	136,404
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	7,384,553		1,993,944	262,779
Unutilised credit card lines	29,707		29,707	5,941
Total	54,142,222	332,137	8,357,918	4,385,771

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EQUITIES (Disclosures for Banking Book position)

The Bank holds equities in its Banking Book mainly for the purpose of Investment in Associated Companies and for other long term investment purpose.

Investment in Associated Companies are accounted for using the equity method of accounting. Other equities classified under available-for-sale (AFS) are measured at fair value.

Type of Equities	Bank		Bank	
	30 June 2014		31 December 2013	
	Exposures	RWA	Exposures	RWA
	RM'000	RM'000	RM'000	RM'000
Publicly Traded Equity Exposures * mainly acquired via loan restructuring activities	4,341	13,025	3,937	11,810
All Other Equity Exposures	145,997	583,987	29,635	118,540
	150,338	597,012	33,572	130,350

	Bank	
	30.06.2014	31.12.2013
	RM'000	RM'000
Realised gains/(losses) arising from sales and liquidation	499	40,919
Unrealised gains/(losses) included in fair value reserve	137,800	21,034

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DISCLOSURE FOR INTEREST RATE RISK / RATE OF RETURN RISK IN THE BANKING BOOK
(IRR / RORBB)

The table below shows the results at 100 and 200 basis points parallel interest rate shocks to economic value (EVE) and Net Interest Income (NII). The reported figures are based on the upward and downward parallel movement of the yield curve. The repricing profile of loans and deposits that do not have maturity dates are generally based on the earliest possible repricing dates taking into account the notice period to be served to customers.

Interest Rate Sensitivity Analysis - Banking Book

Currency	Increase/(Decrease) in basis points	Sensitivity of equity	Increase/(Decrease) in basis points	Sensitivity of equity
	Jun-2014	Jun-2014	Jun-2014	Jun-2014
		RM'million		
Total	+ 200/(200)	97.4 / (85.5)	+ 100/(100)	47.7 / (44.6)
MYR	+ 200/(200)	95.7 / (85.1)	+ 100/(100)	46.8 / (44.2)
USD	+ 200/(200)	1.7 / (0.4)	+ 100/(100)	0.8 / (0.4)

Currency	Increase/(Decrease) in basis points	Sensitivity of equity	Increase/(Decrease) in basis points	Sensitivity of equity
	Dec-2013	Dec-2013	Dec-2013	Dec-2013
		RM'million		
Total	+ 200/(200)	50.0 / (23.5)	+ 100/(100)	23.0 / (15.4)
MYR	+ 200/(200)	40.5 / (21.7)	+ 100/(100)	18.3 / (13.6)
USD	+ 200/(200)	9.6 / (1.8)	+ 100/(100)	4.8 / (1.8)

The economic value of equity (EVE) sensitivity at 100 and 200 basis points parallel interest rate shocks were negative RM45 million and RM86 million (2013: negative RM15 million and RM24 million) respectively.

Net Interest Income (NII)

Currency	Increase/(Decrease) in basis points	Sensitivity of NII	Increase/(Decrease) in basis points	Sensitivity of NII
	Jun-2014	Jun-2014	Jun-2014	Jun-2014
		RM'million		
Total	+ 200/(200)	277.6 / (260.0)	+ 100/(100)	96.5 / (94.9)
MYR	+ 200/(200)	276.8 / (261.1)	+ 100/(100)	96.1 / (96.1)
USD	+ 200/(200)	0.9 / 1.1	+ 100/(100)	0.4 / 1.1

Currency	Increase/(Decrease) in basis points	Sensitivity of NII	Increase/(Decrease) in basis points	Sensitivity of NII
	Dec-2013	Dec-2013	Dec-2013	Dec-2013
		RM'million		
Total	+ 200/(200)	331.1 / (321.2)	+ 100/(100)	128.0 / (123.6)
MYR	+ 200/(200)	320.7 / (320.3)	+ 100/(100)	122.8 / (122.8)
USD	+ 200/(200)	10.4 / (0.9)	+ 100/(100)	5.2 / (0.9)

The Net Interest Income (NII) sensitivity at 100 and 200 basis points parallel interest rate shocks were RM97 million and RM278 million (2013: RM128 million and RM331 million) respectively.