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

## PILLAR 3 DISCLOSURE
## 30 JUNE 2013

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

## UNITED OVERSEAS BANK (MALAYSIA) BHD
(Incorporated in Malaysia)

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**AS AT 30 JUNE 2013**

### 1. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

The information of the Group and the Bank are disclosed pursuant to the requirements of Bank Negara Malaysia's Capital Adequacy framework (Capital Components).

#### (a) Capital Structure

| | Group | | Bank | |
|---|---|---|---|---|
| | **30-Jun-13** | 31-Dec-12 | **30-Jun-13** | 31-Dec-12 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Common Equity Tier 1 (CET1) Capital | | | | |
| 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 | **3,870,734** | 4,191,509 | **3,814,897** | 4,135,672 |
| Statutory reserve | **470,000** | 470,000 | **470,000** | 470,000 |
| Other reserves | **121,969** | 129,837 | **(577)** | 7,291 |
| Regulatory adjustments applied in the calculation of CET1 Capital | **(368,035)** | (365,943) | **(253,101)** | (251,008) |
| Total CET1 / Tier 1 capital | **4,887,223** | 5,217,958 | **4,823,774** | 5,154,510 |
| Tier 2 capital | | | | |
| Tier II capital instruments | **450,000** | 500,000 | **450,000** | 500,000 |
| Loan/financing loss provision | | | | |
| - Surplus eligible provisions over expected losses | **111,565** | 80,847 | **115,037** | 84,208 |
| - Collective impairment provisions | **102,890** | 91,195 | **99,418** | 87,834 |
| Regulatory adjustments applied in the calculation of Tier 2 Capital | **(67,659)** | (67,659) | **(122,783)** | (122,783) |
| Total Tier II capital | **596,796** | 604,383 | **541,672** | 549,259 |
| Total capital | **5,484,019** | 5,822,341 | **5,365,446** | 5,703,769 |

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

| | Group | | Bank | |
|---|---|---|---|---|
| | **30-Jun-13** | **31-Dec-12** | **30-Jun-13** | **31-Dec-12** |
| CET1/ Tier 1 ratio | **12.35%** | 14.12% | **12.26%** | 14.04% |
| Total Capital | **13.86%** | 15.76% | **13.64%** | 15.53% |

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## 2. CREDIT RISK

### (a) Appendix I : Disclosure on Capital Adequacy under the Standardised / IRB Approach

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* | | | | |
| | Public Sector Entities | 91,152 | 91,152 | 45,576 | 3,646 |
| | Corporates | 1,405,468 | 1,432,277 | 932,394 | 74,592 |
| | Regulatory Retail | 5,499,311 | 5,282,245 | 3,961,648 | 316,932 |
| | Other Assets | 374,899 | 374,899 | 259,661 | 20,773 |
| | Defaulted Exposures | 117,906 | 79,678 | 107,326 | 8,586 |
| | **Total for On-Balance Sheet Exposures** | **7,488,736** | **7,260,251** | **5,306,605** | **424,529** |
| | ***Off-Balance Sheet Exposures*** | | | | |
| | OTC Derivatives | 103,322 | 102,871 | 75,327 | 6,026 |
| | Off balance sheet exposure other than OTC derivatives or credit derivatives | 284,698 | 241,667 | 214,654 | 17,172 |
| | Defaulted Exposures | 85 | 80 | 120 | 10 |
| | **Total for Off-Balance Sheet Exposure** | **388,105** | **344,618** | **290,101** | **23,208** |
| | **Total On and Off-Balance Sheet Exposures** | **7,876,841** | **7,604,869** | **5,596,706** | **447,737** |
| 1.2 | Exposure under the FIRB Approach | | | | |
| | *On-Balance Sheet Exposure* | | | | |
| | Sovereigns/Central Bank | 21,158,609 | 21,158,609 | - | - |
| | Banks,Development Financial Institutions & MDBs | 818,857 | 818,857 | 101,389 | 8,111 |
| | Corporates | 20,262,141 | 19,330,770 | 19,261,715 | 1,540,937 |
| | Equity (Simple Risk Weight) | 29,883 | 29,883 | 115,869 | 9,270 |
| | Defaulted Exposures | 450,457 | 439,424 | - | - |
| | **Total for On-Balance Sheet Exposures** | **42,719,947** | **41,777,543** | **19,478,973** | **1,558,318** |
| | ***Off-Balance Sheet Exposures*** | | | | |
| | OTC Derivatives | 757,055 | 749,155 | 344,229 | 27,538 |
| | Off balance sheet exposure other than OTC derivatives or credit derivatives | 3,716,492 | 3,138,699 | 2,261,066 | 180,885 |
| | Defaulted Exposures | 3,143 | 1,553 | - | - |
| | **Total for Off-Balance Sheet Exposure** | **4,476,690** | **3,889,407** | **2,605,295** | **208,423** |
| | **Total On and Off-Balance Sheet Exposures (FIRB)** | **47,196,637** | **45,666,950** | **22,084,268** | **1,766,741** |
| | | | | | |
| | Exposure under the AIRB Approach | | | | |
| | *On-Balance Sheet Exposure* | | | | |
| | Residential Mortgages | 23,975,428 | 23,975,428 | 2,786,028 | 222,882 |
| | Qualifying Revolving Retail Exposures | 1,797,289 | 1,797,289 | 866,440 | 69,315 |
| | Other Retail Exposures | 6,602,780 | 6,605,552 | 1,169,287 | 93,543 |
| | Defaulted Exposures | 452,545 | 452,545 | 288,285 | 23,063 |
| | **Total for On-Balance Sheet Exposures** | **32,828,042** | **32,830,814** | **5,110,040** | **408,803** |
| | ***Off-Balance Sheet Exposures*** | | | | |
| | Off balance sheet exposure other than OTC derivatives or credit derivatives | 1,358,975 | 1,356,208 | 161,910 | 12,953 |
| | **Total for Off-Balance Sheet Exposure** | **1,358,975** | **1,356,208** | **161,910** | **12,953** |
| | **Total On and Off-Balance Sheet Exposures (AIRB)** | **34,187,017** | **34,187,022** | **5,271,950** | **421,756** |
| | **Total (Exempted Exposures and Exposures under IRB Approach)** | **81,383,654** | **79,853,972** | **27,356,218** | **2,188,497** |
| | **Total (Exempted Exposures and Exposures under IRB Approach) after scaling factor** | **-** | **-** | **28,997,593** | **2,319,807** |
| 2.0 | Large Exposures Risk Requirement | - | - | - | - |
| 3.0 | Market Risk (Standardised Approach) | **Long Position** | **Short Position** | | |
| | Interest Rate Risk | 16,851,801 | 11,306,002 | 800,308 | 64,025 |
| | Foreign Currency Risk | 174,615 | (34,082) | 174,615 | 13,969 |
| | Options Risk | - | - | 73,382 | 5,871 |
| 4.0 | Operational Risk (Basic Indicator Approach) | **-** | **-** | **3,696,898** | **295,752** |
| 5.0 | Total RWA and Capital Requirements | **-** | **-** | **39,339,502** | **3,147,161** |

## 2. CREDIT RISK (con'td.)

### Appendix IIIe : Exposures under the IRB Approach by Risk Grade or PD Band

**RM'000**

| PD Range or BI's internal Risk Grading of Non Retail Exposures | AAA <A+ or 0<0.03% | A+ to <BBB or 0.03<0.16% | BBB to <BB+ or 0.16% <0.51% | BB+ < B+ or 0.51 <3.49% | B+ < CCC or 3.49 <10.09% | CCC or 10.09. <100 | Default or 10 |
|---|---|---|---|---|---|---|---|
| **Total Non Retail Exposures (EAD)** | | | | | | | |
| Sovereign | - | 21,163,175 | - | - | - | - | - |
| Bank | - | - | 866,303 | 1,180,248 | - | - | - |
| Corporate… | - | 287,724 | 1,886,926 | 18,760,295 | 1,771,571 | 787,513 | 453,779 |
| *Total Exposure* | - | *21,450,899* | *2,753,229* | *19,940,543* | *1,771,571* | *787,513* | *453,779* |
| **Undrawn Commitments** | | | | | | | |
| Corporate | - | - | - | 7,006 | - | 35 | - |
| *Total Undrawn Commitments* | - | - | - | *7,006* | - | *35* | - |
| **Exposure Weighted Average LGD (%)** | | | | | | | |
| Sovereign | - | 45.00% | - | - | - | - | - |
| Bank | - | - | 45.00% | 45.00% | - | - | - |
| Corporate… | - | 45.00% | 41.97% | 40.36% | 41.97% | 37.38% | 40.24% |
| **Exposure Weighted Average Risk Weight (%)** | | | | | | | |
| Sovereign | - | - | - | - | - | - | - |
| Bank | - | - | 8.00% | 37.00% | - | - | - |
| Corporate… | - | 11.64% | 35.15% | 89.34% | 143.49% | 185.24% | - |

## 2. CREDIT RISK (con'td.)

### Appendix IIIe : Exposures under the IRB Approach by Risk Grade or PD Band

**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 Exposures (EAD)** | | | | |
| Residential Mortgage | 18,905,947 | 751,811 | 4,964,137 | 376,035 |
| Qualifying Revolving Retail | 735,872 | 396,011 | 1,031,934 | 23,236 |
| Other Retail… | 442,439 | 167,963 | 6,338,362 | 53,273 |
| *Total Exposure* | *20,084,258* | *1,315,785* | *12,334,433* | *452,544* |
| **Undrawn Commitments** | | | | |
| Residential Mortgage | 595,734 | 22,070 | 28,664 | - |
| Qualifying Revolving Retail | 223,924 | 78,487 | 64,116 | - |
| Other Retail… | 184,385 | 16,849 | 142,145 | - |
| *Total Undrawn Commitments* | *1,004,043* | *117,406* | *234,925* | - |
| **Exposure Weighted Average LGD (%)** | | | | |
| Residential Mortgage | 10.77% | 10.48% | 10.45% | 10.93% |
| Qualifying Revolving Retail | 30.96% | 44.43% | 51.08% | 65.64% |
| Other Retail… | 16.42% | 18.24% | 12.49% | 19.12% |
| **Exposure Weighted Average Risk Weight (%)** | | | | |
| Residential Mortgage | 6.34% | 16.03% | 30.56% | 51.97% |
| Qualifying Revolving Retail | 6.20% | 19.73% | 77.52% | 311.66% |
| Other Retail… | 9.36% | 20.52% | 18.12% | 38.38% |

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**Appendix IIIf : Retail Exposures under the IRB Approach by Expected Loss Range**

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% |
|---|---|---|---|---|---|
| **Total Retail Exposures (EAD)** | | | | | |
| Residential Mortgage | 23,892,690 | 935,302 | - | 169,939 | - |
| Qualifying Revolving Retail | 1,165,865 | 658,856 | 146,715 | 156,800 | 58,817 |
| Other Retail… | 6,638,274 | 154,237 | 56,254 | 143,530 | 9,741 |
| *Total Exposure* | *31,696,829* | *1,748,395* | *202,969* | *470,269* | *68,558* |
| **Undrawn Commitments** | | | | | |
| Residential Mortgage | 645,593 | 875 | - | - | - |
| Qualifying Revolving Retail | 291,432 | 65,464 | 6,767 | 2,591 | 274 |
| Other Retail… | 316,414 | 20,687 | 6,022 | 244 | 13 |
| *Total Undrawn Commitments* | *1,253,439* | *87,026* | *12,789* | *2,835* | *287* |
| **Exposure Weighted Average Risk Weight (%)** | | | | | |
| Residential Mortgage | 10.17% | 64.40% | - | 0.02% | - |
| Qualifying Revolving Retail | 9.95% | 50.96% | 114.86% | 169.97% | 185.98% |
| Other Retail… | 13.56% | 55.49% | 51.05% | 154.38% | 90.00% |

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**Appendix II : Disclosure on Risk Weights under Standardised Approach**

**RM'000**

| Risk Weights | Exposures after netting & Credit Risk Mitigation | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 |
| 0% | - | - | - | - | 50 | 115,238 | 115,288 | - |
| 10% | - | - | - | - | - | - | - | - |
| 20% | 24,415 | 4,814 | - | 624,853 | - | - | 654,082 | 130,816 |
| 35% | - | - | - | - | - | - | - | - |
| 50% | 91,176 | 7,291 | - | - | 2,529 | - | 100,996 | 50,498 |
| 75% | - | - | - | - | 5,392,255 | - | 5,392,255 | 4,044,192 |
| 90% | - | - | - | - | - | - | - | - |
| 100% | - | - | 120,538 | 842,654 | 19,328 | 301,823 | 1,284,343 | 1,284,343 |
| 110% | - | - | - | - | - | - | - | - |
| 125% | - | - | - | - | - | - | - | - |
| 135% | - | - | - | - | - | - | - | - |
| 150% | - | - | - | 5,714 | 52,192 | - | 57,906 | 86,859 |
| 270% | - | - | - | - | - | - | - | - |
| 350% | - | - | - | - | - | - | - | - |
| 400% | - | - | - | - | - | - | - | - |
| 625% | - | - | - | - | - | - | - | - |
| 937.5% | - | - | - | - | - | - | - | - |
| 1250.0% | - | - | - | - | - | - | - | - |
| **Average Risk Weight** | **44%** | **38%** | **100%** | **66%** | **76%** | **72%** | **100%** | **74%** |

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**Appendix V : Disclosure on Off-Balance Sheet Exposures and Counterparty Credit Risk**

**RM'000**

| Description | Principal Amount | Positive Fair Value of Derivative Contracts | Credit Equivalent Amount | Risk Weighted Assets |
|---|---|---|---|---|
| **Direct Credit Substitutes** | **2,289,504** | **-** | **2,289,504** | **1,453,726** |
| **Transaction related contingent items** | **3,038,745** | **-** | **1,519,372** | **882,086** |
| **Short term Self Liquidating trade related contingencies** | **352,860** | **-** | **70,572** | **43,163** |
| **Foreign exchange related contracts** | **15,713,466** | **163,856** | **366,016** | **146,328** |
| One year or less | 15,185,780 | 150,359 | 320,288 | 100,600 |
| Over one year to five years | 527,686 | 13,497 | 45,728 | 45,728 |
| **Interest/profit rate related contracts** | **16,477,623** | **110,464** | **550,475** | **315,892** |
| One year or less | 1,950,667 | 4,201 | 7,636 | 2,578 |
| Over one year to five years | 13,834,044 | 94,331 | 490,002 | 268,969 |
| Over five years | 692,912 | 11,932 | 52,837 | 44,345 |
| **Equity related contracts** | **639,603** | **1,196** | **21,690** | **7,959** |
| One year or less | 597,711 | 1,196 | 20,014 | 7,299 |
| Over one year to five years | 41,892 | **-** | 1,676 | 660 |
| **Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year** | **33,715** | **-** | **8,374** | **7,113** |
| **Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year** | **7,753,750** | **-** | **3,736** | **1,811** |
| **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** | **6,976,500** | **-** | **1,394,031** | **201,971** |
| **Total** | **53,275,766** | **275,516** | **6,223,770** | **3,060,049** |