

Announcement

To: All Shareholders

The Board of Directors of United Overseas Bank Limited wishes to make the following announcement:

Unaudited Financial Results for the First Half Ended 30 June 2021

Details of the financial results are in the accompanying Condensed Interim Financial Statements.

Dividends for the First Half Ended 30 June 2021

Ordinary share dividend

An interim one-tier tax-exempt dividend of 60 cents (1H20: 39 cents) per ordinary share has been declared in respect of the financial year ending 31 December 2021. The dividend will be paid in cash on 27 August 2021. The UOB scrip dividend scheme will be suspended.

Notice is hereby given that the Share Transfer Books and Register of Members of the Bank will be closed on 18 August 2021, for determining shareholders' entitlements to the interim dividend. Registrable transfers received by the Bank's Registrar, Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623, up to 5.00 pm on 17 August 2021 will be registered for the interim dividend. In respect of ordinary shares in securities accounts with The Central Depository (Pte) Limited ("CDP"), entitlements to the interim dividend will be computed based on the shareholdings position after settlement of all trades on 17 August 2021 ("Record Date"). The interim dividend will be paid by the Bank to CDP which will, in turn, distribute the dividend to holders of the securities accounts.

Interested Person Transactions

The Bank has not obtained a general mandate from shareholders for Interested Person Transactions.

Confirmation by Directors

The Board of Directors hereby confirms that, to the best of its knowledge, nothing has come to its attention which may render the unaudited financial results of the Group for the first half ended 30 June 2021 to be false or misleading in any material aspect.

Undertakings from Directors and Executive Officers

The Bank has procured undertakings in the form set out in Appendix 7.7 of the Listing Manual from all its directors and executive officers pursuant to Rule 720(1) of the Listing Manual.

**BY ORDER OF THE BOARD
UNITED OVERSEAS BANK LIMITED**

Joyce Sia / Theresa Sim
Company Secretaries

Dated this 4th day of August 2021
The results are also available at www.UOBgroup.com



UNITED OVERSEAS BANK LIMITED AND ITS SUBSIDIARIES

Condensed Interim Financial Statements

For the First Half Ended 30 June 2021

**United Overseas Bank Limited
Incorporated in the Republic of Singapore
Company Registration No. 193500026Z**

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- 1 The condensed interim financial statements are unaudited and presented in Singapore Dollars.
- 2 Certain comparative figures have been restated to conform with current period's presentation.
- 3 Certain figures in this report may not add up to the respective totals due to rounding.
- 4 Amounts less than \$500,000 in absolute term are shown as "0".
- 5 The Group refers to United Overseas Bank Limited and its subsidiaries.
- 6 The Bank refers to United Overseas Bank Limited.

Abbreviation

- "1H21" and "1H20" denote to first half of 2021 and 2020 respectively.
"2H20" denotes to second half of 2020.
"NM" denotes not meaningful.
"NA" denotes not applicable.

United Overseas Bank Limited and Its Subsidiaries

Financial Highlights

	1H21	1H20	+ / (-) %	2H20	+ / (-) %
Selected income statement items (\$m)					
Net interest income	3,107	3,050	2	2,986	4
Net fee and commission income	1,234	960	28	1,037	19
Other non-interest income	563	657	(14)	487	16
Total income	4,903	4,667	5	4,509	9
Less: Operating expenses	2,146	2,126	1	2,058	4
Operating profit	2,757	2,541	9	2,451	12
Less: Allowance for credit and other losses	383	682	(44)	872	(56)
Add: Share of profit of associates and joint ventures	70	40	77	59	19
Net profit before tax	2,444	1,899	29	1,638	49
Less: Tax and non-controlling interests	433	341	27	282	54
Net profit after tax ¹	2,011	1,558	29	1,356	48

Selected balance sheet items (\$m)

Gross customer loans	298,597	280,693	6	281,387	6
Customer deposits	338,894	322,688	5	324,598	4
Total assets	446,506	429,614	4	431,814	3
Shareholders' equity ¹	42,031	40,081	5	40,901	3

Key financial ratios (%)

Net interest margin ²	1.56	1.60		1.55	
Non-interest income/Total income	36.6	34.7		33.8	
Cost/Income ratio	43.8	45.6		45.6	
Overseas profit before tax contribution	43.4	48.1		38.3	
Credit costs on loans (bp) ²					
General	10	30		35	
Specific	15	22		27	
Total	24	52		62	
NPL ratio ³	1.5	1.6		1.6	

Notes:

- 1 Relate to amount attributable to equity holders of the Bank.
- 2 Computed on an annualised basis.
- 3 Refer to non-performing loans as a percentage of gross customer loans.

United Overseas Bank Limited and Its Subsidiaries

Financial Highlights (cont'd)

	1H21	1H20	2H20
Key financial ratios (%) (cont'd)			
Return on average ordinary shareholders' equity ^{1,2}	10.1	8.0	6.9
Return on average total assets ¹	0.92	0.74	0.64
Return on average risk-weighted assets ¹	1.72	1.35	1.19
Loan/Deposit ratio ³	86.9	85.8	85.4
Liquidity coverage ratios ("LCR") ^{4,8}			
All-currency	135	138	133
Singapore Dollar	278	317	279
Net stable funding ratio ("NSFR") ^{5,8}	123	119	123
Capital adequacy ratios			
Common Equity Tier 1	14.2	14.0	14.7
Tier 1	15.2	15.0	15.8
Total	18.1	17.1	18.4
Leverage ratio ⁶	7.4	7.3	7.4
Earnings per ordinary share (\$) ^{1,2}			
Basic	2.36	1.81	1.57
Diluted	2.35	1.81	1.56
Net asset value ("NAV") per ordinary share (\$) ⁷	23.65	22.59	23.03
Revalued NAV per ordinary share (\$) ⁷	26.68	25.65	26.07

Notes:

- 1 Computed on an annualised basis.
- 2 Calculated based on profit attributable to equity holders of the Bank net of perpetual capital securities distributions.
- 3 Refer to net customer loans and customer deposits.
- 4 Figures reported are based on average LCR for the respective periods, calculated based on MAS 651. A minimum requirement of Singapore Dollar LCR of 100% and all-currency LCR of 100% shall be maintained at all times.
- 5 NSFR is calculated based on MAS Notice 652 which requires a minimum of 100% to be maintained.
- 6 Leverage ratio is calculated based on MAS Notice 637 which requires a minimum ratio of 3%.
- 7 Perpetual capital securities are excluded from the computation.
- 8 Public disclosure required under MAS Notice 651 and 653 are available in the UOB website at www.UOBgroup.com/investor-relations/financial/index.html.

Performance Review

1H21 versus 1H20

The Group reported net profit of \$2.01 billion, 29% higher than a year ago driven by strong business momentum and lower credit allowance.

Net interest income grew 2% to \$3.11 billion, led by healthy loan growth of 6% which offset the 4-basis point decline in net interest margin. Net fee and commission income rose 28% to a new high of \$1.23 billion with wealth management fees reaching record levels amid returning investor confidence on market recovery. Corporate customers were also showing confidence in the economy, with increased trade and investment transactions, leading to a 33% increase in loan-related fees. Fund management and credit card fees also grew strongly on the back of expected economic recovery and higher customer spending respectively.

Customer-related treasury income rose 9% on the back of improved business sentiment, while other non-interest income decreased 14% to \$563 million due to lower trading income.

While total income grew 5% year-on-year, total expenses were stable at \$2.15 billion as the Group continued to maintain cost discipline. The cost-to-income ratio for the year improved from 45.6% to 43.8%.

Total allowance fell to \$383 million from \$682 million a year ago, as asset quality remains within expectations with strong reserve coverage from the proactive general allowance taken in last year. Total credit costs on loans eased to 24 basis points.

1H21 versus 2H20

Compared with the second half of last year, net profit rose 48% supported by the Group's strong customer franchise and lower credit allowance.

Net interest income was 4% higher alongside loan growth and stable net interest margin of 1.56%. Net fee and commission income grew 19% mainly due to loan-related fees from more corporate drawdowns and opportunistic underwriting activities while wealth management and fund management fees remained strong. Other non-interest income increased 16% mainly due to higher trading income and customer-related treasury income.

Total operating expenses increased 4% mainly from higher staff costs. Total allowance declined 56% to \$383 million as much of the pre-emptive general allowance was taken in last year, coupled with lower specific allowance.

Asset Quality

Asset quality remained resilient with non-performing loan ("NPL") ratio at 1.5%, down from 1.6% last year. The non-performing assets coverage remained strong at 110% or 265% after taking collateral into account. Total general allowance for loans including regulatory loss allowance reserves ("RLAR") was prudently maintained at 1% of performing loans.

Macroeconomic conditions were more positive this year, with optimism over the region's path to recovery albeit an uneven one. Nonetheless, as new NPLs remain low, the Group will maintain existing strong general allowance in anticipation of a range of possible macroeconomic outcomes.

Capital, Funding and Liquidity Positions

The Group's liquidity and funding positions remained robust with half-year average all-currency liquidity coverage ratio at 135% and net stable funding ratio at 123% in 1H21, well above the minimum regulatory requirements. The loan-to-deposit ratio was stable at 86.9%.

As at 30 June 2021, the Group's Common Equity Tier 1 Capital Adequacy Ratio remained strong at 14.2%. Leverage ratio of 7.4% was more than two times above the regulatory requirement.

Net Interest Income

Net interest margin

	1H21			1H20			2H20		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	\$m	\$m	%	\$m	\$m	%	\$m	\$m	%
Interest bearing assets									
Customer loans	287,055	3,411	2.40	273,574	4,406	3.24	275,271	3,557	2.57
Interbank balances	65,842	244	0.75	70,944	534	1.51	66,525	295	0.88
Securities	47,996	398	1.67	39,898	426	2.15	42,368	405	1.90
Total	400,892	4,053	2.04	384,416	5,366	2.81	384,164	4,258	2.20
Interest bearing liabilities									
Customer deposits	330,644	823	0.50	323,486	2,027	1.26	323,246	1,150	0.71
Interbank balances/others	49,184	123	0.50	42,368	289	1.37	41,430	121	0.58
Total	379,828	946	0.50	365,855	2,316	1.27	364,676	1,272	0.69
Net interest margin ¹			1.56			1.60			1.55

Volume and rate analysis

	1H21 vs 1H20			1H21 vs 2H20		
	Volume change	Rate change	Net change	Volume change	Rate change	Net change
	\$m	\$m	\$m	\$m	\$m	\$m
Interest income						
Customer loans	217	(1,193)	(976)	152	(243)	(90)
Interbank balances	(38)	(250)	(289)	(3)	(44)	(47)
Securities	86	(112)	(26)	54	(55)	(1)
Total	265	(1,556)	(1,291)	203	(341)	(138)
Interest expense						
Customer deposits	45	(1,245)	(1,200)	26	(340)	(314)
Interbank balances/others	46	(212)	(165)	23	(19)	4
Total	91	(1,456)	(1,365)	49	(359)	(310)
Change in number of days	-	-	(17)	-	-	(51)
Net interest income	174	(99)	57	154	18	121

Net interest income for the first half of 2021 grew 2% against last year to \$3.11 billion, led by healthy loan growth of 6% which offset the 4-basis point decline in net interest margin.

Compared with the second half last year, net interest income was 4% higher alongside loan growth and stable net interest margin of 1.56%.

Note:

¹ Net interest margin represents annualised net interest income as a percentage of total interest bearing assets.

United Overseas Bank Limited and Its Subsidiaries

Non-Interest Income

	1H21	1H20	+ / (-)	2H20	+ / (-)
	\$m	\$m	%	\$m	%
Net fee and commission income					
Credit card ¹	205	182	12	204	0
Fund management	171	123	40	152	13
Wealth management	440	335	32	376	17
Loan-related ²	365	274	33	232	57
Service charges	68	72	(5)	70	(2)
Trade-related ³	149	136	10	145	3
Others	9	8	4	5	73
	1,407	1,129	25	1,183	19
Less: Fee and commission expenses	174	169	3	147	19
	1,234	960	28	1,037	19
Other non-interest income					
Net trading income	280	373	(25)	222	27
Net gain from investment securities	148	145	2	141	5
Dividend income	25	32	(23)	18	38
Rental income	53	56	(6)	50	6
Other income	56	51	12	56	0
	563	657	(14)	486	16
Total	1,797	1,617	11	1,523	18

Net fee and commission income for first half of the year rose 28% year-on-year to a new high of \$1.23 billion with wealth management fees reaching record levels amid returning investor confidence on market recovery. Corporate customers were also showing confidence in the economy, with increased trade and investment transactions, leading to a 33% increase in loan-related fees. Fund management and credit card fees also grew strongly on the back of expected economic recovery and higher customer spending respectively.

Customer-related treasury income rose 9% on the back of improved business sentiment, while other non-interest income decreased 14% to \$563 million due to lower trading income.

Against the second half last year, net fee and commission income grew 19% mainly due to loan-related fees from more corporate drawdowns and opportunistic underwriting activities while wealth management and fund management fees remained strong. Other non-interest income increased 16% mainly due to higher trading income and customer-related treasury income.

Notes:

- 1 Credit card fees are net of interchange fees paid.
- 2 Loan-related fees include fees earned from corporate finance activities.
- 3 Trade-related fees include trade, remittance and guarantees related fees.

United Overseas Bank Limited and Its Subsidiaries

Operating Expenses

	1H21	1H20	+/(-)	2H20	+/(-)
	\$m	\$m	%	\$m	%
Staff costs	1,327	1,296	2	1,205	10
Other operating expenses					
Revenue-related	269	289	(7)	288	(6)
IT-related	306	278	10	304	1
Occupancy-related	160	161	(1)	160	(0)
Others	84	101	(17)	102	(17)
	819	830	(1)	853	(4)
Total	2,146	2,126	1	2,058	4
Of which, Depreciation of assets	236	223	6	231	2
Manpower (number)	24,571	26,495	(7)	25,466	(4)

While total income grew 5% year-on-year, total expenses were stable at \$2.15 billion for the first half of the year as the Group continued to maintain cost discipline. The cost-to-income ratio for the year improved from 45.6% to 43.8%.

Total operating expenses increased 4% against the second half of last year mainly from higher staff costs.

United Overseas Bank Limited and Its Subsidiaries

Allowance for Credit and Other Losses

	1H21	1H20	+ / (-)	2H20	+ / (-)
	\$m	\$m	%	\$m	%
General allowance ¹	191	427	(55)	490	(61)
Specific allowance ²					
Specific allowance on loans ³	210	304	(31)	375	(44)
Singapore	33	161	(80)	86	(62)
Malaysia	33	31	4	63	(48)
Thailand	78	52	49	92	(16)
Indonesia	41	49	(15)	33	25
Greater China ⁴	17	29	(41)	77	(78)
Others	8	(19)	>100	24	(67)
Specific allowance on securities and others	(18)	(49)	64	7	(>100)
Total	383	682	(44)	872	(56)

Total allowance fell a significant 44% and 56% to \$383 million compared with the first and second half of last year respectively, as asset quality remains within expectations with strong reserve coverage from the proactive general allowance taken in last year.

Total credit costs on loans eased to 24 basis points at 1H21.

Notes:

- 1 General allowance refer to Expected Credit Loss Stage 1 and Stage 2 under SFRS(I) 9.
- 2 Specific allowance refer to Expected Credit Loss Stage 3 and purchased or originated credit-impaired under SFRS(I) 9.
- 3 Specific allowance on loans by geography are classified according to where credit risks reside, largely represented by the borrower's country of incorporation/operation for non-individuals and residence for individuals.
- 4 Comprise Mainland China, Hong Kong SAR and Taiwan.

United Overseas Bank Limited and Its Subsidiaries

Customer Loans

	Jun-21	Dec-20	Jun-20
	\$m	\$m	\$m
Gross customer loans	298,597	281,387	280,693
Less: General allowance	2,641	2,521	2,106
Specific allowance	1,564	1,665	1,593
Net customer loans	294,392	277,201	276,994
By industry			
Transport, storage and communication	12,221	11,411	11,449
Building and construction	76,764	71,702	70,569
Manufacturing	24,714	20,194	23,868
Financial institutions, investment and holding companies	35,904	31,259	28,651
General commerce	37,181	34,488	35,302
Professionals and private individuals	26,283	27,637	27,453
Housing loans	69,490	68,562	68,205
Others	16,041	16,134	15,196
Total (gross)	298,597	281,387	280,693
By currency			
Singapore Dollar	133,710	129,503	126,316
US Dollar	59,841	49,336	53,846
Malaysian Ringgit	26,261	26,849	26,531
Thai Baht	17,364	18,666	19,177
Indonesian Rupiah	5,512	5,581	5,744
Others	55,908	51,452	49,078
Total (gross)	298,597	281,387	280,693
By maturity			
Within 1 year	127,445	111,856	114,035
Over 1 year but within 3 years	59,658	58,528	54,604
Over 3 years but within 5 years	32,996	32,341	31,922
Over 5 years	78,498	78,661	80,133
Total (gross)	298,597	281,387	280,693
By geography ¹			
Singapore	152,972	143,333	141,949
Malaysia	29,092	29,691	29,754
Thailand	19,640	20,625	20,581
Indonesia	10,663	10,470	11,400
Greater China	48,203	44,195	44,106
Others	38,027	33,073	32,903
Total (gross)	298,597	281,387	280,693

Gross loans registered strong growth of 6% from a year ago to \$299 billion as at 30 June 2021. The growth was led by broad-based increase of wholesale loans.

Singapore loans continue to grow 8% from a year ago and 7% from second half of last year, while overseas contributed a healthy growth of 5% mainly from Greater China and western countries.

Note:

¹ Loans by geography are classified according to where credit risks reside, largely represented by the borrower's country of incorporation/operation for non-individuals and residence for individuals.

United Overseas Bank Limited and Its Subsidiaries

Non-Performing Assets

	Jun-21	Dec-20	Jun-20
	\$m	\$m	\$m
Loans ("NPL")	4,507	4,520	4,529
Debt securities and others	40	88	99
Non-performing assets ("NPA")	4,547	4,608	4,628

By grading

Substandard	2,975	2,961	2,961
Doubtful	351	277	544
Loss	1,221	1,370	1,123
Total	4,547	4,608	4,628

By security

Secured by collateral type:

Properties	2,431	2,333	2,314
Shares and debentures	-	-	1
Fixed deposits	9	12	7
Others ¹	219	247	382
	2,659	2,592	2,704

Unsecured

	1,888	2,016	1,924
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Total	4,547	4,608	4,628
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By ageing

Current	718	1,091	980
Within 90 days	454	475	330
Over 90 to 180 days	446	389	518
Over 180 days	2,929	2,653	2,800
Total	4,547	4,608	4,628

Total allowance

General	3,040	2,873	2,391
Specific	1,588	1,692	1,664
Total	4,628	4,565	4,055

	NPL	NPL	NPL	NPL	NPL
	\$m	ratio	\$m	ratio	ratio
	\$m	%	\$m	%	%
NPL by industry					
Transport, storage and communication	534	4.4	581	5.1	6.0
Building and construction	791	1.0	637	0.9	0.8
Manufacturing	820	3.3	785	3.9	3.3
Financial institutions, investment and holding companies	39	0.1	36	0.1	0.1
General commerce	992	2.7	1,035	3.0	2.5
Professionals and private individuals	332	1.3	290	1.0	1.2
Housing loans	857	1.2	808	1.2	1.3
Others	142	0.9	348	2.2	2.4
Total	4,507	1.5	4,520	1.6	1.6

Note:

¹ Comprise mainly marine vessels.

Non-Performing Assets (cont'd)

NPL by geography ¹	NPL/NPA	NPL ratio	Specific allowance	Specific allowance as a % of NPL/NPA
	\$m	%	\$m	%
Singapore				
Jun-21	2,038	1.3	709	35
Dec-20	2,182	1.5	841	39
Jun-20	2,325	1.6	865	37
Malaysia				
Jun-21	682	2.3	187	27
Dec-20	581	2.0	171	29
Jun-20	546	1.8	124	23
Thailand				
Jun-21	718	3.7	258	36
Dec-20	673	3.3	269	40
Jun-20	600	2.9	238	40
Indonesia				
Jun-21	573	5.4	243	42
Dec-20	522	5.0	221	42
Jun-20	576	5.1	244	42
Greater China				
Jun-21	296	0.6	88	30
Dec-20	328	0.7	89	27
Jun-20	257	0.6	51	20
Others				
Jun-21	200	0.5	79	40
Dec-20	234	0.7	74	32
Jun-20	225	0.7	71	32
Group NPL				
Jun-21	4,507	1.5	1,564	35
Dec-20	4,520	1.6	1,665	37
Jun-20	4,529	1.6	1,593	35
Group NPA				
Jun-21	4,547		1,588	35
Dec-20	4,608		1,692	37
Jun-20	4,628		1,664	36
	Total allowance			
	as a % of NPA²		as a % of unsecured NPA²	
Group	%		%	
Jun-21	110		265	
Dec-20	107		245	
Jun-20	96		230	

The Group's overall loan portfolio remained healthy with the NPL ratio stable at 1.5% as at 30 June 2021. The NPA coverage was at 110% and at 265% after taking collateral into account.

Macroeconomic conditions were more positive this year, with optimism over the region's path to recovery albeit an uneven one. Nonetheless, as new NPLs remain low, the Group will maintain existing strong general allowance in anticipation of a range of possible macroeconomic outcomes.

Notes:

- 1 NPL by geography are classified according to where credit risks reside, largely represented by the borrower's country of incorporation/operation for non-individuals and residence for individuals.
- 2 Includes regulatory loss allowance reserves (RLAR) as part of total allowance.

Customer Deposits

	Jun-21	Dec-20	Jun-20
	\$m	\$m	\$m
By product			
Fixed deposits	141,591	134,034	150,227
Savings deposits	93,359	91,620	87,819
Current accounts	85,214	81,963	72,291
Others	18,730	16,981	12,351
Total	338,894	324,598	322,688
By maturity			
Within 1 year	335,864	321,337	317,539
Over 1 year but within 3 years	2,392	2,486	4,298
Over 3 years but within 5 years	183	294	352
Over 5 years	455	481	499
Total	338,894	324,598	322,688
By currency			
Singapore Dollar	151,478	150,360	143,297
US Dollar	94,559	83,451	89,087
Malaysian Ringgit	29,284	29,543	28,804
Thai Baht	19,646	22,292	22,223
Indonesian Rupiah	6,709	6,288	5,977
Others	37,218	32,664	33,300
Total	338,894	324,598	322,688
Group Loan/Deposit ratio (%)	86.9	85.4	85.8
Singapore Dollar Loan/Deposit ratio (%)	87.2	85.1	87.2
US Dollar Loan/Deposit ratio (%)	62.6	58.2	59.6

Customer deposits grew 5% from a year ago and 4% from second half of last year to \$339 billion as at 30 June 2021. The Group continued to focus on stable fundings with CASA ratio remained healthy at 52.7%.

As at 30 June 2021, the Group's loan-to-deposit ratio and Singapore Dollar loan-to-deposit ratio remained healthy at 86.9% and 87.2% respectively.

United Overseas Bank Limited and Its Subsidiaries

Performance by Business Segment ¹

Selected income statement items	GR	GWB	GM	Others	Total
	\$m	\$m	\$m	\$m	\$m
1H21					
Net interest income	1,300	1,488	196	123	3,107
Non-interest income	776	657	158	205	1,796
Operating income	2,076	2,145	354	328	4,903
Operating expenses	(1,006)	(494)	(129)	(517)	(2,146)
Allowance for credit and other losses	(62)	(312)	(1)	(8)	(383)
Share of profit of associates and joint ventures	-	12	-	58	70
Profit before tax	1,008	1,351	224	(139)	2,444
Tax					(427)
Profit for the financial period					2,017

Other information:

Capital expenditure	15	20	2	220	257
Depreciation of assets	33	15	6	182	236

2H20

Net interest income	1,337	1,506	251	(108)	2,986
Non-interest income	712	500	103	208	1,523
Operating income	2,049	2,006	354	100	4,509
Operating expenses	(1,021)	(466)	(136)	(435)	(2,058)
Allowance for credit and other losses	(379)	(507)	(12)	26	(872)
Share of profit of associates and joint ventures	-	3	-	56	59
Profit before tax	649	1,036	206	(253)	1,638
Tax					(271)
Profit for the financial period					1,367

Other information:

Capital expenditure	18	22	6	256	302
Depreciation of assets	33	15	6	178	231

1H20

Net interest income	1,436	1,520	174	(80)	3,050
Non-interest income	620	526	240	231	1,617
Operating income	2,056	2,046	414	151	4,667
Operating expenses	(1,019)	(487)	(128)	(492)	(2,126)
Allowance for credit and other losses	(131)	(263)	2	(290)	(682)
Share of profit of associates and joint ventures	-	5	-	35	40
Profit before tax	906	1,301	288	(596)	1,899
Tax					(336)
Profit for the financial period					1,563

Other information:

Capital expenditure	28	18	4	211	261
Depreciation of assets	32	14	6	171	223

Note:

¹ Comparative segment information for prior periods have been adjusted for changes in organisational structure and management reporting methodology.

United Overseas Bank Limited and Its Subsidiaries

Performance by Business Segment¹ (cont'd)

Selected balance sheet items	GR \$m	GWB \$m	GM \$m	Others \$m	Total \$m
At 30 June 2021					
Segment assets	108,041	212,725	85,907	34,459	441,132
Intangible assets	1,314	2,083	659	88	4,144
Investment in associates and joint ventures	3	185	-	1,042	1,230
Total assets	109,358	214,993	86,566	35,589	446,506
Segment liabilities	170,167	177,142	41,670	15,277	404,256
Other information:					
Gross customer loans	108,306	189,502	773	16	298,597
Non-performing assets	1,390	3,051	27	79	4,547
At 31 December 2020					
Segment assets	107,654	195,035	93,417	30,355	426,461
Intangible assets	1,316	2,086	659	82	4,143
Investment in associates and joint ventures	2	171	-	1,037	1,210
Total assets	108,972	197,292	94,076	31,474	431,814
Segment liabilities	169,042	163,278	46,755	11,608	390,683
Other information:					
Gross customer loans	108,020	172,281	1,052	34	281,387
Non-performing assets	1,297	3,254	11	46	4,608
At 30 June 2020					
Segment assets	106,734	197,149	89,703	30,684	424,270
Intangible assets	1,317	2,087	660	83	4,147
Investment in associates and joint ventures	0	175	-	1,022	1,197
Total assets	108,051	199,411	90,363	31,789	429,614
Segment liabilities	164,224	165,681	48,911	10,492	389,308
Other information:					
Gross customer loans	106,929	172,949	795	20	280,693
Non-performing assets	1,401	3,201	10	16	4,628

Note:

1 Comparative segment information for prior periods have been adjusted for changes in organisational structure and management reporting methodology.

Performance by Business Segment (cont'd)

Business segment performance reporting is prepared based on the Group's internal organisational structure and the methodologies adopted in the management reporting framework. Business segments' results include all applicable revenue, expenses, internal fund transfer price and cost allocations associated with the activities of the business. Transactions between business segments are operated on an arm's length basis in a manner similar to third party transactions and they are eliminated on consolidation.

The Banking Group is organised into three major business segments - Group Retail, Group Wholesale Banking and Global Markets. Others include non-banking activities and corporate functions.

Group Retail ("GR")

GR segment covers personal and small enterprise customers.

Customers have access to a diverse range of products and services, including deposits, insurance, card, wealth management, investment, loan and trade financing products which are available across the Group's global branch network.

Profit before tax increased 11% to \$1.01 billion in 1H21 compared to a year ago. Total income grew 1% to \$2.08 billion from strong performance in wealth management, credit cards and franchise volume growth, partially offset by lower net interest income from deposit margin compression. Expenses declined 1% to \$1.01 billion as the investments in technology/digital transformation was moderated by active cost management. Allowances for credit and other losses decreased 53% to \$62 million, largely from general allowance.

Compared to 2H20, profit before tax grew 55%, largely from significant decrease in general allowance. Net interest income decreased 3% to \$1.30 billion while non-interest income rose 9% to \$776 million, led by acceleration in wealth business momentum. Expenses marginally lower from tighter management of discretionary spend.

Group Wholesale Banking ("GWB")

GWB encompasses corporate and institutional client segments which include medium and large enterprises, local corporations, multi-national corporations, financial institutions, government-linked entities, financial sponsors and property funds.

GWB provides customers with a broad range of products and services, including loans, trade services, cash management, capital markets solutions and advisory and treasury products.

Operating profit increased 6% to \$1.65 billion from a year ago. Income rose 5% to \$2.15 billion in 1H21 with record investment banking revenue and strong growth in loans/trade volume moderating impact from tighter loan and deposit margins. Expenses grew 1% to \$494 million, primarily from technology-related investments. Profit before tax was 4% higher at \$1.35 billion, as higher general allowance was set aside.

Against 2H20, profit before tax increased 30% on the back of strong loan-related/investment banking activities from syndicated and merger/acquisition deals, coupled with healthy growth in treasury customer income while credit costs declined. Expenses grew 6% from continued investments in people and technology to support strategic business initiatives.

Global Markets ("GM")

GM provides a comprehensive suite of treasury products and services across multi-asset classes which includes foreign exchange, interest rate, credit, commodities, equities and structured investment products to help customers manage market risks and volatility. GM also engages in market making activities and management of funding and liquidity.

Income from products and services offered to customers of Group Retail and Group Wholesale Banking are reflected in the respective client segments.

Profit before tax declined by \$64 million to \$224 million compared to the previous year. Income decreased 14% to \$354 million as 1H20 registered higher gain from sale of investment securities while trading income benefitted from steep rate cuts at the onset of the global pandemic. Expenses and allowances for credit and other losses were relatively flat.

Against second half of 2020, profit before tax rose by 8%. Income was flat as the improvement in trading performance was offset by lower contribution from portfolio liquidity management while expenses declined by 5% to \$129 million.

Others

Others includes corporate support functions, divisions not attributable to business segments mentioned above and other activities, which comprises property, insurance and investment management.

Others segment registered lower net loss of \$139 million compared to \$596 million in 1H20 from central treasury activities, gain on investments, coupled with lower general allowance as last year included pre-emptive management overlay amidst the global pandemic.

Compared to 2H20, the net loss before tax narrowed by \$114 million due to improved contribution from central treasury activities and higher income from investments while allowance for credit and other losses declined marginally.

Performance by Geographical Segment¹

	Singapore	Malaysia	Thailand	Indonesia	Greater China	Others	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
1H21							
Net interest income	1,538	416	359	196	316	282	3,107
Non-interest income	1,102	152	131	87	160	164	1,796
Operating income	2,640	568	490	283	476	446	4,903
Operating expenses	(1,211)	(213)	(289)	(165)	(196)	(72)	(2,146)
Allowance for credit and other losses	(109)	(74)	(51)	(76)	(44)	(29)	(383)
Share of profit of associates and joint ventures	63	0	-	-	1	6	70
Profit before tax	1,383	281	150	42	237	351	2,444
Total assets before intangible assets	255,030	42,489	26,339	10,772	64,836	42,896	442,362
Intangible assets	3,182	-	725	232	-	5	4,144
Total assets	258,212	42,489	27,064	11,004	64,836	42,901	446,506
2H20							
Net interest income	1,449	390	366	190	332	259	2,986
Non-interest income	921	159	132	94	110	107	1,523
Operating income	2,370	549	498	284	442	366	4,509
Operating expenses	(1,094)	(225)	(295)	(175)	(194)	(75)	(2,058)
Allowance for credit and other losses	(321)	(191)	(152)	(71)	(97)	(40)	(872)
Share of profit of associates and joint ventures	54	0	-	-	(1)	6	59
Profit before tax	1,009	133	51	38	150	257	1,638
Total assets before intangible assets	248,541	44,121	27,638	10,707	59,730	36,934	427,671
Intangible assets	3,182	-	728	233	-	-	4,143
Total assets	251,723	44,121	28,366	10,940	59,730	36,934	431,814
1H20							
Net interest income	1,548	387	368	175	323	249	3,050
Non-interest income	942	179	126	96	135	139	1,617
Operating income	2,490	566	494	271	458	388	4,667
Operating expenses	(1,174)	(215)	(305)	(168)	(192)	(72)	(2,126)
Allowance for credit and other losses	(371)	(53)	(130)	(79)	(39)	(10)	(682)
Share of profit of associates and joint ventures	40	0	-	-	(1)	1	40
Profit before tax	985	298	59	24	226	307	1,899
Total assets before intangible assets	247,268	41,515	27,507	10,335	58,363	40,479	425,467
Intangible assets	3,182	-	729	236	-	-	4,147
Total assets	250,450	41,515	28,236	10,571	58,363	40,479	429,614

Note:

1 Based on the location where the transactions and assets are booked. The information is stated after elimination of inter-segment transactions.

Performance by Geographical Segment (cont'd)

Geographical segment performance reporting is prepared based on the location where the transactions or assets are booked. The information is stated after elimination of inter-segment transactions.

Singapore

Compared to a year ago, first-half profit before tax recorded a strong growth of 40% to \$1.38 billion. Total income grew 6% to \$2.64 billion. Net interest income was relatively flat while non-interest income rose 17% year-on-year from strong momentum in wealth management, loan-related and investment banking activities. Expenses increased 3% to \$1.21 billion, in tandem with improvement in revenue and business activities. Credit costs were significantly lower at \$109 million due to lower NPL formation and higher loan recoveries, coupled with pre-emptive provision set aside last year.

Profit before tax of \$1.38 billion in 1H21 represented 37% growth from 2H20. Performance was supported by strong customer franchise growth as income increased 11% to \$2.64 billion from loans, fee and treasury income.

Malaysia

Operating profit improved 1% year-on-year to \$355 million in 1H21, while profit before tax declined 6% to \$281 million from general allowance. Total income was broadly stable at \$568 million. Net interest income rose 7% to \$416 million, led by improved loan margin and asset growth. Non-interest income was 15% lower at \$152 million as strong fee momentum was more than offset by lower gains from investment securities.

Compared to 2H20, profit before tax more than doubled to \$281 million, largely attributable to lower credit costs and 7% lift in net interest income. Credit costs fell 61% to \$74 million due to pre-emptive provision set aside last year as well as lower specific allowance.

Thailand

Profit before tax rebounded by 154% and 191% respectively to \$150 million in 1H21 against 1H20 and 2H20 respectively, primarily due to lower general allowance. Total income was broadly stable as compared to the corresponding periods a year ago.

Indonesia

Profit before tax grew 80% year-on-year to \$42 million in 1H21 mainly from higher net interest income and lower credit costs. Net interest income rose 12% to \$196 million, primarily driven by lower cost of funds. Non-interest income decreased 10% to \$87 million from lower trading and investment income, partly moderated by broad-based fee income growth.

Against the second half of 2020, profit before tax improved 13% to \$42 million on the back of 6% reduction in expenses. Income was relatively unchanged at \$283 million as the growth in net interest income and trade-related fee were offset by lower gains from investment securities.

Greater China

For the first half of 2021, profit before tax grew 5% year-on-year to \$237 million. Total income grew 4% to \$476 million, largely driven by double-digit growth in loan-related fee from increased participation in syndicated and merger/acquisition deals. Expenses rose by 2% to \$196 million while credit allowance was higher at \$44 million from general allowance.

Compared to 2H20, profit before tax was 58% higher at \$237 million. Income grew 8% to \$476 million, supported by higher loan-related fee and treasury income. Expenses were relatively flat while credit costs more than halved to \$44 million, mainly from specific allowance on loans.

Others

For 1H21, profit before tax improved 14% year-on-year to \$351 million, lifted by higher net interest income and loan-related fee. This was partly negated by higher specific allowance on loans.

Profit before tax grew 37% to \$351 million against 2H20. Total income rose 22% to \$446 million, driven by higher net interest income, loan-related fee and gains from investment securities. Expenses declined by 4% to \$72 million, while credit costs were 28% lower at \$29 million.

United Overseas Bank Limited and Its Subsidiaries

Capital Adequacy and Leverage Ratios ^{1,2,3}

	Jun-21	Dec-20	Jun-20
	\$m	\$m	\$m
Share capital	5,143	5,043	4,977
Disclosed reserves/others	33,932	32,914	32,172
Regulatory adjustments	(4,752)	(4,726)	(4,668)
Common Equity Tier 1 Capital ("CET1")	34,323	33,231	32,481
Perpetual capital securities/others	2,379	2,379	2,379
Additional Tier 1 Capital ("AT1")	2,379	2,379	2,379
Tier 1 Capital	36,702	35,610	34,860
Subordinated notes	5,298	4,287	3,678
Provisions/others	1,613	1,493	1,054
Tier 2 Capital	6,911	5,780	4,732
Eligible Total Capital	43,613	41,390	39,592
Risk-Weighted Assets ("RWA")	241,090	225,441	232,037
Capital Adequacy Ratios ("CAR")			
CET1	14.2%	14.7%	14.0%
Tier 1	15.2%	15.8%	15.0%
Total	18.1%	18.4%	17.1%
Leverage Exposure	498,595	478,233	477,488
Leverage Ratio	7.4%	7.4%	7.3%

The Group's CET1, Tier 1 and Total CAR as at 30 June 2021 remained well above the regulatory minimum requirements.

Total capital compared with 30 June 2020 and 31 December 2020 was higher mainly from issuances of subordinated notes and higher eligible provisions, while earnings were partly offset by payment of dividends. The higher RWA was driven primarily by corporate loan growth.

As at 30 June 2021, the Group's leverage ratio was 7.4%, comfortably above the regulatory minimum requirement of 3%.

Notes:

- 1 Singapore-incorporated banks are required to maintain minimum CAR as follows: CET1 at 6.5%, Tier 1 at 8% and Total at 10%. In addition, the Group is required to maintain CET1 capital to meet the capital conservation buffer of 2.5% and the countercyclical capital buffer (CCyB) of up to 2.5%. The Group's CCyB is computed as the weighted average of effective CCyB in jurisdictions to which the Group has private sector exposures.
- 2 Leverage ratio is calculated based on MAS Notice 637 which requires a minimum ratio of 3%.
- 3 Disclosures required under MAS Notice 637 are published on our website: www.UOBgroup.com/investor-relations/financial/index.html.

United Overseas Bank Limited and Its Subsidiaries
Consolidated Income Statement for the financial period ended 30 June 2021

	The Group	
	1H21	1H20
	\$m	\$m
Interest income	4,053	5,366
Less: Interest expense	946	2,316
Net interest income	3,107	3,050
Net fee and commission income	1,234	960
Dividend income	25	32
Rental income	53	56
Net trading income	280	373
Net gain from investment securities	148	145
Other income	56	51
Non-interest income	1,796	1,617
Total operating income	4,903	4,667
Less: Staff costs	1,327	1,296
Other operating expenses	819	830
Total operating expenses	2,146	2,126
Operating profit before allowance	2,757	2,541
Less: Allowance for credit and other losses	383	682
Operating profit after allowance	2,374	1,859
Share of profit of associates and joint ventures	70	40
Profit before tax	2,444	1,899
Less: Tax	427	336
Profit for the financial period	2,017	1,563
Attributable to:		
Equity holders of the Bank	2,011	1,558
Non-controlling interests	6	5
	2,017	1,563
Earnings per share (\$) ^{1,2}		
Basic	2.36	1.81
Diluted	2.35	1.81

Notes:

1 Computed on an annualised basis.

2 Calculated based on profit attributable to equity holders of the Bank net of perpetual capital securities distributions.

United Overseas Bank Limited and Its Subsidiaries
Consolidated Statement of Comprehensive Income for the financial period ended 30 June 2021

	The Group	
	1H21	1H20
	\$m	\$m
Profit for the financial period	2,017	1,563
Other comprehensive income that will not be reclassified to income statement		
Net gains/(losses) on equity instruments at fair value through other comprehensive income	149	(147)
Fair value changes on financial liabilities designated at fair value due to the Bank's own credit risk	8	(1)
Related tax on items at fair value through other comprehensive income	(12)	8
	145	(140)
Other comprehensive income that may be subsequently reclassified to income statement		
Currency translation adjustments	(141)	50
Debt instruments at fair value through other comprehensive income		
Change in fair value	(274)	341
Transfer to income statement on disposal	(41)	(81)
Changes in allowance for expected credit losses	14	3
Related tax	28	(24)
	(414)	288
Change in share of other comprehensive income of associates and joint ventures	3	20
Other comprehensive income for the financial period, net of tax	(266)	168
Total comprehensive income for the financial period, net of tax	1,752	1,732
Attributable to:		
Equity holders of the Bank	1,740	1,728
Non-controlling interests	12	3
	1,752	1,732

United Overseas Bank Limited and Its Subsidiaries
Balance Sheets as at 30 June 2021

	The Group		The Bank	
	Jun-21 \$m	Dec-20 \$m	Jun-21 \$m	Dec-20 \$m
Equity				
Share capital and other capital	7,521	7,420	7,521	7,420
Retained earnings	25,432	24,109	18,593	17,510
Other reserves	9,078	9,372	9,689	9,786
Equity attributable to equity holders of the Bank	42,031	40,901	35,803	34,716
Non-controlling interests	219	230	-	-
Total equity	42,250	41,131	35,803	34,716
Liabilities				
Deposits and balances of banks	18,948	15,977	16,217	14,257
Deposits and balances of customers	338,894	324,598	266,804	251,111
Deposits and balances of subsidiaries	-	-	17,899	14,216
Bills and drafts payable	1,105	792	832	613
Derivative financial liabilities	6,444	11,519	4,861	8,741
Other liabilities	7,137	7,379	5,964	5,954
Tax payable	458	374	351	278
Deferred tax liabilities	423	436	255	263
Debts issued	30,847	29,608	29,816	28,086
Total liabilities	404,256	390,683	342,999	323,519
Total equity and liabilities	446,506	431,814	378,802	358,235
Assets				
Cash, balances and placements with central banks	37,355	36,798	32,453	31,452
Singapore Government treasury bills and securities	7,617	8,103	7,614	8,103
Other government treasury bills and securities	15,090	13,890	4,188	3,796
Trading securities	4,889	4,215	4,049	3,523
Placements and balances with banks	38,103	40,284	29,910	30,409
Loans to customers	294,392	277,201	233,449	216,629
Placements with and advances to subsidiaries	-	-	24,310	21,023
Derivative financial assets	7,092	11,368	5,494	8,719
Investment securities	27,413	25,217	21,054	18,158
Other assets	4,784	5,033	3,289	3,428
Deferred tax assets	446	429	120	109
Investment in associates and joint ventures	1,230	1,210	322	325
Investment in subsidiaries	-	-	6,191	6,199
Investment properties	827	964	900	979
Fixed assets	3,124	2,959	2,277	2,201
Intangible assets	4,144	4,143	3,182	3,182
Total assets	446,506	431,814	378,802	358,235
Off-balance sheet items				
Contingent liabilities	28,772	27,120	21,280	19,890
Financial derivatives	725,760	806,715	585,152	657,223
Commitments	163,123	160,407	123,008	123,909
Net asset value per ordinary share (\$)	23.65	23.03	19.93	19.33

United Overseas Bank Limited and Its Subsidiaries
 Statements of Changes in Equity for the financial period ended 30 June 2021

	The Group					
	Attributable to equity holders of the Bank					
	Share capital and other capital \$m	Retained earnings \$m	Other reserves \$m	Total \$m	Non- controlling interests \$m	Total equity \$m
Balance at 1 January 2021	7,420	24,109	9,372	40,901	230	41,131
Profit for the financial period	-	2,011	-	2,011	6	2,017
Other comprehensive income for the financial period	-	5	(277)	(271)	5	(266)
Total comprehensive income for the financial period	-	2,016	(277)	1,740	12	1,752
Transfers	-	(1)	1	-	-	-
Change in non-controlling interests	-	-	-	-	(17)	(17)
Dividends	-	(692)	-	(692)	(5)	(698)
Shares issued under scrip dividend scheme	53	-	-	53	-	53
Share-based compensation	-	-	31	31	-	31
Shares issued under share-based compensation plan	48	-	(48)	-	-	-
Perpetual capital securities issued	749	-	-	749	-	749
Redemption of perpetual capital securities	(748)	-	(2)	(750)	-	(750)
Balance at 30 June 2021	7,521	25,432	9,078	42,031	219	42,250
Balance at 1 January 2020	7,325	23,405	8,907	39,637	227	39,864
Profit for the financial period	-	1,558	-	1,558	5	1,563
Other comprehensive income for the financial period	-	(1)	171	170	(1)	168
Total comprehensive income for the financial period	-	1,557	171	1,728	3	1,732
Transfers	-	(241)	241	-	-	-
Change in non-controlling interests	-	-	-	-	(1)	(1)
Dividends	-	(1,292)	-	(1,292)	(5)	(1,297)
Shares re-purchased - held in treasury	(20)	-	-	(20)	-	(20)
Share-based compensation	-	-	28	28	-	28
Shares issued under share-based compensation plan	48	-	(48)	-	-	-
Balance at 30 June 2020	7,354	23,429	9,299	40,081	225	40,306

Note:

As at 30 June 2021, the revaluation surplus of \$5.08 billion relating to the Group's properties, was not recognised in the financial statements.

United Overseas Bank Limited and Its Subsidiaries
Statements of Changes in Equity for the financial period ended 30 June 2021

	The Bank			
	Share capital and other capital	Retained earnings	Other reserves	Total equity
	\$m	\$m	\$m	\$m
Balance at 1 January 2021	7,420	17,510	9,786	34,716
Profit for the financial period	-	1,774	-	1,774
Other comprehensive income for the financial period	-	(0)	(78)	(78)
Total comprehensive income for the financial period	-	1,774	(78)	1,696
Transfers	-	1	(1)	-
Dividends	-	(692)	-	(692)
Shares issued under scrip dividend scheme	53	-	-	53
Share-based compensation	-	-	31	31
Shares issued under share-based compensation plans	48	-	(48)	-
Perpetual capital securities issued	749	-	-	749
Redemption of perpetual capital securities	(748)	-	(2)	(750)
Balance at 30 June 2021	7,521	18,593	9,689	35,803
Balance at 1 January 2020	7,325	17,197	9,351	33,873
Profit for the financial period	-	1,457	-	1,457
Other comprehensive income for the financial period	-	(1)	86	85
Total comprehensive income for the financial period	-	1,456	86	1,542
Transfers	-	(238)	238	-
Dividends	-	(1,292)	-	(1,292)
Shares re-purchased - held in treasury	(20)	-	-	(20)
Share-based compensation	-	-	28	28
Shares issued under share-based compensation plans	48	-	(48)	-
Balance at 30 June 2020	7,354	17,124	9,654	34,132

United Overseas Bank Limited and Its Subsidiaries
Consolidated Cash Flow Statement for the financial period ended 30 June 2021

	The Group	
	1H21	1H20
	\$m	\$m
Cash flows from operating activities		
Profit for the financial period	2,017	1,563
Adjustments for:		
Allowance for credit and other losses	383	682
Share of profit of associates and joint ventures	(71)	(40)
Tax	427	336
Depreciation of assets	236	223
Net gain on disposal of assets	(124)	(134)
Share-based compensation	31	28
Operating profit before working capital changes	2,899	2,659
Change in working capital:		
Deposits and balances of banks	3,013	8,444
Deposits and balances of customers	15,358	11,357
Bills and drafts payable	320	92
Other liabilities	(5,998)	3,345
Restricted balances with central banks	(4)	636
Government treasury bills and securities	(791)	(4,317)
Trading securities	(648)	(412)
Placements and balances with banks	2,217	8,279
Loans to customers	(18,079)	(10,804)
Investment securities	(2,560)	(4,815)
Other assets	4,701	(5,974)
Cash generated from operations	428	8,488
Income tax paid	(341)	(157)
Net cash provided by operating activities	87	8,331
Cash flows from investing activities		
Capital injection into associates and joint ventures	(1)	(0)
Distribution from associates and joint ventures	46	34
Purchase of properties and other fixed assets	(257)	(261)
Disposal of properties and other fixed assets	26	9
Change in non-controlling interests	-	(1)
Net cash used in investing activities	(187)	(220)
Cash flows from financing activities		
Perpetual capital securities issued	749	-
Redemption of perpetual capital securities	(750)	-
Issuance of debts issued	16,626	13,646
Redemption of debts issued	(15,320)	(15,362)
Shares re-purchased - held in treasury	-	(20)
Change in non-controlling interests	(17)	-
Dividends paid on ordinary shares	(600)	(1,252)
Distribution for perpetual capital securities	(45)	(46)
Dividends paid to non-controlling interests	(5)	(5)
Lease payments	(44)	(51)
Net cash provided by/(used in) financing activities	593	(3,090)
Currency translation adjustments	55	743
Net increase in cash and cash equivalents	548	5,765
Cash and cash equivalents at beginning of the financial period	31,364	20,188
Cash and cash equivalents at end of the financial period	31,912	25,953

United Overseas Bank Limited and Its Subsidiaries
Notes to the Condensed Interim Financial Statements for the financial period ended 30 June 2021

1 Summary of Significant Accounting Policies

(a) Basis of Preparation

The condensed interim financial statements for the first half ended 30 June 2021 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2020.

(b) Changes in Accounting Policies

The Group adopted the following with effect from 1 January 2021:

- Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16: Interest Rate Benchmark Reform - Phrase 2
- Amendments to SFRS(I) 16: COVID-19-Related Rent Concessions Beyond 30 June 2021 (early adopted)

The adoption of these amendments did not have any significant impact to the Group's financial information as at 1 January 2021. The Group did not restate comparative information.

Other amendments to existing standards that are not yet effective are not expected to have a significant impact to the Group's financial statements.

Other than the above changes, the accounting policies and computation methods applied in the financial statements for the half year ended 30 June 2021 are the same as those applied in the audited financial statements for the financial year ended 31 December 2020.

(c) Critical Accounting Estimates and Judgements

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were similar to those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

United Overseas Bank Limited and Its Subsidiaries

Notes to the Condensed Interim Financial Statements for the financial period ended 30 June 2021

2 Income Tax

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	Group	
	1H21	1H20
	\$'m	\$'m
Current income tax expense	431	348
Deferred income tax expense	(11)	(20)

3 Share Capital and Other Capital

	Jun-21		Dec-20	
	Number of shares '000	Amount \$'m	Number of shares '000	Amount \$'m
Ordinary shares				
Beginning of interim period	1,683,916	5,299	1,680,541	5,233
Shares issued under scrip dividend scheme	2,007	53	3,375	66
End of interim period	1,685,923	5,351	1,683,916	5,299
Treasury shares				
Beginning of interim period	(11,101)	(255)	(12,207)	(284)
Shares re-purchased - held in treasury	-	-	(993)	(20)
Shares issued under share based compensation plan	2,068	48	2,099	49
End of interim period	(9,033)	(207)	(11,101)	(255)
Ordinary share capital	1,676,890	5,144	1,672,815	5,044
4.00% non-cumulative non-convertible perpetual capital securities issued on 18 May 2016		-		748
3.875% non-cumulative non-convertible perpetual capital securities issued on 19 October 2017		879		879
3.58% non-cumulative non-convertible perpetual capital securities issued on 17 July 2019		749		749
2.25% non-cumulative non-convertible perpetual capital securities issued on 15 January 2021		150		-
2.55% non-cumulative non-convertible perpetual capital securities issued on 22 June 2021		599		-
Share capital and other capital of the Bank and the Group		7,521		7,420

United Overseas Bank Limited and Its Subsidiaries
Notes to the Condensed Interim Financial Statements for the financial period ended 30 June 2021

4 Dividends

	<u>The Group</u>	
	1H21	1H20
	\$'m	\$'m
Ordinary dividends paid:		
Final dividend of 39 cents (2020: 55 cents) and special dividend of nil (2020: 20 cents) tax-exempt per share paid in respect of prior financial year	653	1,252

In respect of the financial year ending 31 December 2021, the directors have proposed an interim tax-exempt dividend of 60 cents per ordinary share amounting to a total dividend of \$1,006 million.

5 Classification of Financial Assets and Financial Liabilities

In \$'m	<u>The Group</u>					Total
	HFT	FVPL - mandatory	FVPL - designated	FVOCI	AC	
Jun-21						
Cash, balances and placements with central banks	2,798	-	-	3,948	30,609	37,355
Singapore government treasury bills and securities	204	-	-	7,205	208	7,617
Other government treasury bills and securities	2,481	-	-	12,496	113	15,090
Trading securities	4,889	-	-	-	-	4,889
Placements and balances with banks	12,088	-	-	4,455	21,560	38,103
Loans to customers	4,333	-	-	10	290,049	294,392
Derivative financial assets	7,092	-	-	-	-	7,092
Investment securities						
Debt	-	37	-	18,115	6,008	24,160
Equity	-	1,042	-	2,211	-	3,253
Other assets	1,992	-	-	2	2,626	4,620
Total financial assets	35,877	1,079	-	48,442	351,173	436,571
Non-financial assets						9,935
Total assets						446,506
Deposits and balances of banks and customers	1,400	-	876	-	355,566	357,842
Bills and drafts payable	-	-	-	-	1,105	1,105
Derivative financial liabilities	6,444	-	-	-	-	6,444
Other liabilities	2,944	-	-	-	2,942	5,886
Debts issued	-	-	1,166	-	29,681	30,847
Total financial liabilities	10,788	-	2,042	-	389,294	402,124
Non-financial liabilities						2,132
Total liabilities						404,256

United Overseas Bank Limited and Its Subsidiaries
Notes to the Condensed Interim Financial Statements for the financial period ended 30 June 2021

5 Classification of Financial Assets and Financial Liabilities (continued)

In \$'m	The Group					Total
	HFT	FVPL - mandatory	FVPL - designated	FVOCI	AC	
Dec-20						
Cash, balances and placements with central banks	3,004	-	-	2,609	31,185	36,798
Singapore government treasury bills and securities	71	-	-	8,032	-	8,103
Other government treasury bills and securities	1,562	-	4	12,311	13	13,890
Trading securities	4,215	-	-	-	-	4,215
Placements and balances with banks	11,435	-	-	4,457	24,392	40,284
Loans to customers	4,212	-	-	-	272,989	277,201
Derivative financial assets	11,368	-	-	-	-	11,368
Investment securities						
Debt	-	41	-	17,946	4,448	22,435
Equity	-	901	-	1,881	-	2,782
Other assets	1,850	-	-	3	3,034	4,887
Total financial assets	37,717	942	4	47,239	336,061	421,963
Non-financial assets						9,851
Total assets						431,814
Deposits and balances of banks and customers	1,135	-	993	-	338,447	340,575
Bills and drafts payable	-	-	-	-	792	792
Derivative financial liabilities	11,519	-	-	-	-	11,519
Other liabilities	3,471	-	-	0	2,767	6,238
Debts issued	-	-	917	-	28,691	29,608
Total financial liabilities	16,125	-	1,910	-	370,697	388,732
Non-financial liabilities						1,951
Total liabilities						390,683

United Overseas Bank Limited and Its Subsidiaries
Notes to the Condensed Interim Financial Statements for the financial period ended 30 June 2021

6 Fair Value of Financial Instruments

(a) Valuation methodology, processes and controls for the period ended 30 June 2021 remained largely similar to that applied in the audited financial statements for the year ended 31 December 2020.

For financial instruments carried at amortised cost, their fair values are expected to approximate the carrying amounts and determined as follows:

- For cash, balances, placements and deposits of central banks, banks and subsidiaries, deposits of customers with short-term or no stated maturity, as well as interest and other short-term receivables and payables;
- For loans and deposits of customers, non-subordinated debts issued and investment debt securities, fair values are estimated based on independent broker quotes or using the discounted cash flow method; and
- For subordinated notes issued, fair values are determined based on quoted market prices.

(b) The Group classified financial instruments carried at fair value by level following the fair value measurement hierarchy:

- Level 1 - Unadjusted quoted prices in active markets for identical financial instruments
- Level 2 - Inputs other than quoted prices that are observable either directly or indirectly
- Level 3 - Inputs that are not based on observable market data

In \$'m	The Group					
	Jun-21			Dec-20		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Cash, balances and placements with central banks	2,467	4,279	-	2,081	3,532	-
Singapore government treasury bills and securities	7,409	-	-	8,103	-	-
Other government treasury bills and securities	13,054	1,923	-	11,650	2,227	-
Trading securities	2,981	1,237	671	2,938	301	976
Placements and balances with banks	-	16,543	-	-	15,892	-
Loans to customers	-	4,343	-	-	4,212	-
Derivative financial assets	290	6,648	154	207	11,041	120
Investment securities						
Debt	12,047	4,565	1,540	12,053	3,713	2,221
Equity	1,195	-	2,058	871	-	1,911
Other assets	1,714	280	-	1,623	230	-
	41,157	39,818	4,423	39,526	41,148	5,228
Total financial assets carried at fair value			85,398			85,902
Deposits and balances of banks and customers	-	2,276	-	-	2,128	-
Derivative financial liabilities	179	6,203	62	196	11,133	190
Other liabilities	441	2,503	-	50	3,421	-
Debts issued	-	1,166	-	-	917	-
	620	12,148	62	246	17,599	190
Total financial liabilities carried at fair value			12,830			18,035

United Overseas Bank Limited and Its Subsidiaries

Notes to the Condensed Interim Financial Statements for the financial period ended 30 June 2021

6 Fair Value of Financial Instruments (continued)

(c) The following table presents the changes in Level 3 instruments for the financial period ended:

In \$'m	The Group						Unrealised gains or losses included in income statement	
	Balance at 1 January	Fair value gains or losses		Purchases	Settlements	Transfer in/(out)		Balance at 30 June
		Income Statement	Other comprehensive income					
Jun-21								
Assets								
Trading securities	976	2	-	206	(537)	24	671	0
Derivative financial assets	120	34	-	-	-	-	154	-
Investment securities								
- debt	2,221	(4)	1	769	(930)	(517) ⁽¹⁾	1,540	(3)
Investment securities								
- equity	1,911	43	32	221	(149)	-	2,058	15
Liabilities								
Derivative financial liabilities	190	(128)	-	-	-	-	62	-
Dec-20								
Assets								
Trading securities	976	3	-	673	(676)	0	976	3
Derivative financial assets	106	14	-	-	-	-	120	14
Investment securities								
- debt	2,797	(22)	(2)	1,772	(2,231)	(93) ⁽¹⁾	2,221	-
Investment securities								
- equity	1,916	33	60	192	(300)	10	1,911	30
Liabilities								
Derivative financial liabilities	185	5	-	-	-	-	190	5

(1) Investment securities – debt were transferred out from Level 3 during the year due to an increased contribution of observable input to their valuation.

(d) Effect of changes in significant unobservable inputs

The effect on fair value arising from reasonably possible changes to the significant unobservable inputs is assessed to be insignificant.

United Overseas Bank Limited and Its Subsidiaries

Notes to the Condensed Interim Financial Statements for the financial period ended 30 June 2021

7 Debts Issued

	The Group	
	Jun-21	Dec-20
	\$'m	\$'m
Unsecured		
Subordinated debts	6,315	5,363
Commercial papers	12,554	11,938
Fixed and floating rate notes	4,259	5,140
Others	1,166	923
Secured		
Covered bonds	6,553	6,244
Total	30,847	29,608
Due within 1 year	14,510	15,290
Due after 1 year	16,337	14,318
Total	30,847	29,608

Pursuant to the Bank's USD8 billion Global Covered Bond Programme, selected pools of residential mortgages that were originated by the Bank have been assigned to a bankruptcy-remote structure entity, Glacier Eighty Pte Ltd. These residential mortgages continue to be recognised on the Bank's balance sheet as the Bank remains exposed to the risks and rewards associated with them.