

Announcement

To: All Shareholders

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

Audited Financial Results for the Financial Year Ended 31 December 2021

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

Dividends for the Second Half Ended 31 December 2021

Ordinary share dividend

The Directors recommend the payment of a final tax-exempt dividend of 60 cents (2020: final dividend of 39 cents) per ordinary share for the financial year ended 31 December 2021. The final dividend is subject to shareholders' approval at the forthcoming Annual General Meeting scheduled for 21 April 2022.

Together with the interim tax-exempt dividend of 60 cents per ordinary share (2020: 39 cents) paid in August 2021, the total net dividends for the financial year ended 31 December 2021 will be S\$1.20 (2020: 78 cents) per ordinary share amounting to S\$2,009 million (2020: S\$1,304 million). The dividends will be paid in cash on 13 May 2022. The UOB scrip dividend scheme will not be applied to the final dividend.

Notice is hereby given that the Share Transfer Books and Register of Members of the Bank will be closed on 4 May 2022, for determining shareholders' entitlements to the final dividend. Registrable transfers received by the Bank's Registrar, Boardroom Corporate & Advisory Services Pte Ltd at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632, up to 5.00 pm on 29 April 2022 will be registered for the dividends. In respect of ordinary shares in securities accounts with The Central Depository (Pte) Limited ("CDP"), entitlements to the dividends will be computed based on the shareholdings position after settlement of all trades on 29 April 2022 ("Record Date"). The dividends 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 audited financial results of the Group for the financial year ended 31 December 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.

Information relating to persons occupying managerial position in the issuer or any of its principal subsidiaries who are relatives of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13)

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Wee Ee Cheong	69	Son of Dr Wee Cho Yaw, substantial shareholder and; brother of Mr Wee Ee Lim, director and substantial shareholder; and brother of Mr Wee Ee Chao, substantial shareholder.	Deputy Chairman & CEO	Nil

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

Joyce Sia / Theresa Sim
Company Secretaries

Dated this 16th day of February 2022
The results are also available at www.UOBgroup.com



UNITED OVERSEAS BANK LIMITED AND ITS SUBSIDIARIES

Condensed Financial Statements

For the Second Half and Financial Year ended 31 December 2021

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

United Overseas Bank Limited and Its Subsidiaries

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Attachment: Independent Auditor's Report

Notes

- 1 The condensed financial statements are 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

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

United Overseas Bank Limited and Its Subsidiaries

Financial Highlights

	2021	2020	+ / (-) %	2H21	2H20	+ / (-) %	1H21	+ / (-) %
Selected income statement items (\$m)								
Net interest income	6,388	6,035	6	3,282	2,986	10	3,107	6
Net fee and commission income	2,412	1,997	21	1,178	1,037	14	1,234	(5)
Other non-interest income	990	1,144	(13)	427	487	(12)	563	(24)
Total income	9,789	9,176	7	4,887	4,509	8	4,903	(0)
Less: Operating expenses	4,313	4,184	3	2,167	2,058	5	2,146	1
Operating profit	5,476	4,992	10	2,720	2,451	11	2,757	(1)
Less: Allowance for credit and other losses	657	1,554	(58)	275	872	(69)	383	(28)
Add: Share of profit of associates and joint ventures	118	98	20	47	59	(19)	70	(33)
Net profit before tax	4,937	3,536	40	2,492	1,638	52	2,444	2
Less: Tax and non-controlling interests	862	621	39	429	282	52	433	(1)
Net profit after tax ¹	4,075	2,915	40	2,063	1,356	52	2,011	3

Selected balance sheet items (\$m)

Gross customer loans	310,800	281,387	10	310,800	281,387	10	298,597	4
Customer deposits	352,633	324,598	9	352,633	324,598	9	338,894	4
Total assets	459,323	431,814	6	459,323	431,814	6	446,506	3
Shareholders' equity ¹	42,633	40,901	4	42,633	40,901	4	42,031	1

Key financial ratios (%)

Net interest margin ²	1.56	1.57		1.55	1.55		1.56	
Non-interest income/Total income	34.7	34.2		32.8	33.8		36.6	
Cost/Income ratio	44.1	45.6		44.3	45.6		43.8	
Overseas profit before tax contribution	42.1	43.6		40.9	38.3		43.4	
Credit costs on loans (bp) ²								
General	2	32		(5)	35		10	
Specific	18	24		21	27		15	
Total	20	57		16	62		24	
NPL ratio ³	1.6	1.6		1.6	1.6		1.5	

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)

	2021	2020	2H21	2H20	1H21
Key financial ratios (%) (cont'd)					
Return on average ordinary shareholders' equity ^{1,2}	10.2	7.4	10.2	6.9	10.1
Return on average total assets ¹	0.92	0.69	0.91	0.64	0.92
Return on average risk-weighted assets ¹	1.68	1.27	1.65	1.19	1.72
Loan/Deposit ratio ³	87.0	85.4	87.0	85.4	86.9
Liquidity coverage ratios ("LCR") ^{4,8}					
All-currency	135	135	135	133	135
Singapore Dollar	309	298	340	279	278
Net stable funding ratio ("NSFR") ^{5,8}	116	125	116	125	123
Capital adequacy ratios					
Common Equity Tier 1	13.5	14.7	13.5	14.7	14.2
Tier 1	14.4	15.8	14.4	15.8	15.2
Total	16.6	18.4	16.6	18.4	18.1
Leverage ratio ⁶	7.2	7.4	7.2	7.4	7.4
Earnings per ordinary share (\$) ^{1,2}					
Basic	2.39	1.69	2.42	1.57	2.36
Diluted	2.38	1.68	2.41	1.56	2.35
Net asset value ("NAV") per ordinary share (\$) ⁷	24.08	23.03	24.08	23.03	23.65
Revalued NAV per ordinary share (\$) ⁷	27.16	26.07	27.16	26.07	26.68

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 Notice 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

FY21 versus FY20

The Group reported net profit of \$4.07 billion, 40% higher from a year ago driven by stronger income growth and lower credit allowance.

Net interest income increased 6% to \$6.39 billion, led by healthy loan growth of 10% with net interest margin being stable. Net fee and commission income rose 21% to a record of \$2.41 billion, driven by double-digit growth in most activities. Loan fees hit a new high of \$698 million, as trade and investment transactions picked up momentum. Wealth management fees grew to a record \$823 million on the back of returning investor confidence. Stronger financial market activity also led to higher fund management fees while credit card fees recovered from a pick-up in consumer spending.

Customer-related treasury income grew 10% in 2021 with more customers hedging exposures alongside returning business volume growth. This was more than offset by lower non-customer trading income as there were larger gains from bond sales and unrealised gains on hedges last year amid the lower interest environment. This led to other non-interest income declining by 13% to \$990 million.

Total increase of only 3% in total expenses to \$4.31 billion was a result of the Group's discipline spend, as it prioritised strategic investments in people and technology including scaling up digital offerings in Singapore and ASEAN. The cost-to-income ratio for the year improved 1.5% points to 44.1%.

Asset quality remained stable in 2021. As pre-emptive general allowance taken in last year remained adequate, total allowance declined 58% to \$657 million and total credit costs on loans decreased from 57 basis points to 20 basis points.

2H21 versus 2H20

2H21 net profit surged 52% to \$2.06 billion driven by strong performance across business and geographies, coupled with lower credit costs.

Net interest income rose 10% to \$3.28 billion lifted by strong loan growth with net interest margin stable at 1.55%. Net fee and commission income grew 14% to \$1.18 billion, driven by strong growth in loan-related fees from increased trade and investment transactions. Credit card fees also grew strongly on the back of higher customer spending. Other non-interest income decreased 12% mainly due to lower investment gains.

With the strong income growth, cost-to-income ratio improved 1.3% points to 44.3%. Total allowance decreased to \$275 million largely due to the pre-emptive general allowance taken last year.

2H21 versus 1H21

Compared with 1H21, net profit was 3% higher on stable income and lower credit costs.

Net interest income increased 6% led by loan growth of 4%. Net fee and commission income decreased 5%, largely due to lower loan-related and wealth fees after an exceptional 1H21. Other non-interest income declined 24% mainly due to lower trading income and investment gains.

Total operating expenses was relatively unchanged from the first half. Total allowance fell 28% mainly due to a write-back of general allowance in 2H21 with more clarity and confidence of the market outlook.

Asset Quality

Asset quality remained resilient with the non-performing loan (NPL) ratio steady at 1.6% as at 31 December 2021. The non-performing assets coverage remained strong at 96% or 239% after taking collateral into account.

While the path to recovery is clearer compared with a year ago, the Group continued to maintain performing loans coverage prudently at 1%.

Capital, Funding and Liquidity Positions

The Group's liquidity and funding positions remained healthy with 2H21's average all-currency liquidity coverage ratio at 135% and net stable funding ratio at 116%, well above the minimum regulatory requirements. The loan-to-deposit ratio was stable at 87.0%.

As at 31 December 2021, the Group's Common Equity Tier 1 Capital Adequacy Ratio remained strong at 13.5%. Leverage ratio of 7.2% was more than two times above the regulatory requirement.

Net Interest Income

Net interest margin

	2021			2020		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	\$m	\$m	%	\$m	\$m	%
Interest bearing assets						
Customer loans	294,308	6,917	2.35	275,271	7,963	2.89
Interbank balances	65,545	467	0.71	66,525	829	1.25
Securities	50,069	820	1.64	42,368	831	1.96
Total	409,922	8,204	2.00	384,164	9,623	2.50
Interest bearing liabilities						
Customer deposits	338,599	1,569	0.46	323,246	3,177	0.98
Interbank balances/others	47,940	247	0.51	41,430	410	0.99
Total	386,539	1,816	0.47	364,676	3,588	0.98
Net interest margin ¹			1.56			1.57

	2H21			2H20			1H21		
	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	301,442	3,506	2.31	276,949	3,557	2.56	287,055	3,411	2.40
Interbank balances	65,253	223	0.68	62,154	295	0.94	65,842	244	0.75
Securities	52,109	423	1.61	44,812	405	1.80	47,996	398	1.67
Total	418,804	4,151	1.97	383,914	4,258	2.21	400,892	4,053	2.04
Interest bearing liabilities									
Customer deposits	347,506	746	0.43	323,008	1,150	0.71	330,644	823	0.50
Interbank balances/others	47,752	124	0.51	40,502	121	0.60	49,184	123	0.50
Total	395,258	870	0.44	363,510	1,272	0.70	379,828	946	0.50
Net interest margin ¹			1.55			1.55			1.56

Note:

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

Net Interest Income (cont'd)

Volume and rate analysis

	2021 vs 2020		
	Volume change	Rate change	Net change
	\$m	\$m	\$m
Interest income			
Customer loans	551	(1,578)	(1,027)
Interbank balances	(12)	(349)	(361)
Securities	151	(159)	(8)
Total	690	(2,086)	(1,397)
Interest expense			
Customer deposits	151	(1,755)	(1,604)
Interbank balances/others	64	(227)	(163)
Total	215	(1,983)	(1,767)
Change in number of days	-	-	(18)
Net interest income	474	(104)	353

	2H21 vs 2H20			2H21 vs 1H21		
	Volume change	Rate change	Net change	Volume change	Rate change	Net change
	\$m	\$m	\$m	\$m	\$m	\$m
Interest income						
Customer loans	315	(366)	(51)	171	(133)	38
Interbank balances	15	(87)	(72)	(2)	(23)	(25)
Securities	66	(49)	17	34	(16)	18
Total	395	(502)	(106)	203	(172)	31
Interest expense						
Customer deposits	87	(491)	(404)	42	(131)	(89)
Interbank balances/others	22	(20)	2	(4)	2	(1)
Total	109	(511)	(402)	38	(129)	(90)
Change in number of days	-	-	-	-	-	54
Net interest income	286	9	296	164	(43)	175

Net interest income for 2021 increased 6% against last year to \$6.39 billion, led by healthy loan growth of 10% with net interest margin being stable.

Compared with the second half last year, net interest income rose 10% to \$3.28 billion, lifted by strong loan growth with stable net interest margin at 1.55%.

Against 1H21, net interest income was 6% higher led by loan growth of 4%.

United Overseas Bank Limited and Its Subsidiaries

Non-Interest Income

	2021	2020	+ / (-)	2H21	2H20	+ / (-)	1H21	+ / (-)
	\$m	\$m	%	\$m	\$m	%	\$m	%
Net fee and commission income								
Credit card ¹	447	386	16	242	204	18	205	18
Fund management	325	275	19	154	152	2	171	(10)
Wealth management	823	710	16	383	376	2	440	(13)
Loan-related ²	698	506	38	334	232	44	365	(8)
Service charges	139	142	(2)	71	70	1	68	4
Trade-related ³	310	281	10	160	145	11	149	7
Others	19	13	38	10	5	94	9	12
	2,761	2,313	19	1,354	1,183	14	1,407	(4)
Less: Fee and commission expenses	349	316	11	176	147	20	174	1
	2,412	1,997	21	1,178	1,037	14	1,234	(5)
Other non-interest income								
Net trading income	514	594	(13)	234	222	5	280	(17)
Net gain from investment securities	216	286	(24)	69	141	(51)	148	(54)
Dividend income	40	50	(20)	16	18	(13)	25	(37)
Rental income	105	106	(1)	52	50	6	53	(0)
Other income	114	108	6	57	57	1	56	2
	990	1,144	(13)	427	487	(12)	563	(24)
Total	3,401	3,141	8	1,605	1,523	5	1,797	(11)

In 2021, net fee and commission income rose 21% to a record of \$2.41 billion, driven by double-digit growth in most activities. Loan fees hit a new high of \$698 million, as trade and investment transactions picked up momentum. Wealth management fees grew to a record \$823 million on the back of returning investor confidence. Stronger financial market activity also led to higher fund management fees while credit card fees recovered from a pick-up in consumer spending.

Customer-related treasury income grew 10% year-on-year with more customers hedging exposures alongside returning business volume growth. This was more than offset by lower non-customer trading income as there were larger gains from bond sales and unrealised gains on hedges last year amid the lower interest environment. This led to other non-interest income declining by 13% to \$990 million.

Compared with 2H20, net fee and commission income grew 14% to \$1.18 billion, driven by strong growth in loan-related fees from increased trade and investment transactions. Credit card fees also grew strongly on the back of higher customer spending. Other non-interest income decreased 12% mainly due to lower investment gains.

After an exceptional 1H21, net fee and commission income decreased 5% largely due to lower loan-related and wealth fees. Other non-interest income declined 24% mainly due to lower trading income and investment gains.

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

	2021	2020	+ / (-)	2H21	2H20	+ / (-)	1H21	+ / (-)
	\$m	\$m	%	\$m	\$m	%	\$m	%
Staff costs	2,602	2,501	4	1,275	1,205	6	1,327	(4)
Other operating expenses								
Revenue-related	561	577	(3)	292	288	1	269	8
IT-related	638	582	10	333	304	10	306	9
Occupancy-related	314	321	(2)	155	160	(3)	160	(3)
Others	198	203	(3)	113	102	11	84	34
	1,711	1,683	2	892	853	5	819	9
Total	4,313	4,184	3	2,167	2,058	5	2,146	1
Of which,								
Depreciation of assets	489	454	8	253	231	10	236	7
Manpower (number)	24,346	25,466	(4)	24,346	25,466	(4)	24,571	(1)

Full year 2021, the increase of only 3% in total expenses to \$4.31 billion was a result of the Group's discipline spend, as it prioritised strategic investments in people and technology including scaling up digital offerings in Singapore and ASEAN. The cost-to-income ratio for the year improved 1.5% points to 44.1%.

With the strong income growth, cost-to-income ratio improved 1.3% points to 44.3% against the second half of last year.

Total operating expenses in 2H21 was relatively unchanged from the first half.

United Overseas Bank Limited and Its Subsidiaries

Allowance for Credit and Other Losses

	2021	2020	+ / (-)	2H21	2H20	+ / (-)	1H21	+ / (-)
	\$m	\$m	%	\$m	\$m	%	\$m	%
General allowance ¹	95	916	(90)	(96)	490	(>100)	191	(>100)
Specific allowance ²								
Specific allowance on loans ³	534	679	(21)	325	375	(13)	210	55
Singapore	66	243	(73)	34	86	(61)	33	4
Malaysia	104	94	10	71	63	13	33	>100
Thailand	162	145	12	84	92	(10)	78	7
Indonesia	127	86	48	86	33	>100	41	>100
Greater China ⁴	56	106	(47)	39	77	(49)	17	>100
Others	19	6	>100	11	24	(54)	8	38
Specific allowance on securities and others	28	(42)	>100	46	7	>100	(18)	>100
Total	657	1,554	(58)	275	872	(69)	383	(28)

As pre-emptive general allowance taken in last year remained adequate, total allowance for the full year of 2021 declined 58% to \$657 million and total credit costs on loans decreased from 57 basis points to 20 basis points.

Compared with the same period last year, total allowance decreased to \$275 million largely due to the pre-emptive general allowance taken last year.

Against 1H21, total allowance fell 28% mainly due to a write-back of general allowance in 2H21 with more clarity and confidence of the market outlook.

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

	Dec-21	Jun-21	Dec-20
	\$m	\$m	\$m
Gross customer loans	310,800	298,597	281,387
Less: General allowance	2,562	2,641	2,521
Specific allowance	1,525	1,564	1,665
Net customer loans	306,713	294,392	277,201
By industry			
Transport, storage and communication	13,270	12,221	11,411
Building and construction	83,443	76,764	71,702
Manufacturing	22,570	24,714	20,194
Financial institutions, investment and holding companies	40,731	35,904	31,259
General commerce	36,779	37,181	34,488
Professionals and private individuals	26,651	26,283	27,637
Housing loans	71,211	69,490	68,562
Others	16,145	16,041	16,134
Total (gross)	310,800	298,597	281,387
By currency			
Singapore Dollar	137,685	133,710	129,503
US Dollar	62,800	59,841	49,336
Malaysian Ringgit	27,022	26,261	26,849
Thai Baht	18,956	17,364	18,666
Indonesian Rupiah	5,419	5,512	5,581
Others	58,918	55,908	51,452
Total (gross)	310,800	298,597	281,387
By maturity			
Within 1 year	129,757	127,445	111,856
Over 1 year but within 3 years	66,857	59,658	58,528
Over 3 years but within 5 years	35,312	32,996	32,341
Over 5 years	78,874	78,498	78,661
Total (gross)	310,800	298,597	281,387
By geography ¹			
Singapore	157,543	152,972	143,333
Malaysia	29,836	29,092	29,691
Thailand	20,857	19,640	20,625
Indonesia	10,162	10,663	10,470
Greater China	48,779	48,203	44,195
Others	43,623	38,027	33,073
Total (gross)	310,800	298,597	281,387

As at 31 December 2021, gross loans grew 10% from a year ago and 4% from the first-half to \$311 billion. The growth was led by broad-based increase of wholesale loans.

Singapore loans continue to be strong with the growth of 10% from a year ago and 3% from the previous half. Similar loan growth momentum in overseas with 11% increase year-on-year 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

	Dec-21	Jun-21	Dec-20
	\$m	\$m	\$m
Loans ("NPL")	5,030	4,507	4,520
Debt securities and others	47	40	88
Non-performing assets ("NPA")	5,077	4,547	4,608

By grading

Substandard	3,529	2,975	2,961
Doubtful	421	351	277
Loss	1,127	1,221	1,370
Total	5,077	4,547	4,608

By security

Secured by collateral type:

Properties	2,824	2,431	2,333
Fixed deposits	12	9	12
Others ¹	200	219	247
	3,036	2,659	2,592
Unsecured	2,041	1,888	2,016
Total	5,077	4,547	4,608

By ageing

Current	1,505	718	1,091
Within 90 days	555	454	475
Over 90 to 180 days	244	446	389
Over 180 days	2,773	2,929	2,653
Total	5,077	4,547	4,608

Total allowance

General	2,941	3,040	2,873
Specific	1,556	1,588	1,692
Total	4,497	4,628	4,565

	NPL	NPL	NPL	NPL	NPL
	\$m	ratio	\$m	ratio	\$m
		%		%	
NPL by industry					
Transport, storage and communication	488	3.7	534	4.4	581
Building and construction	929	1.1	791	1.0	637
Manufacturing	880	3.9	820	3.3	785
Financial institutions, investment and holding companies	232	0.6	39	0.1	36
General commerce	1,002	2.7	992	2.7	1,035
Professionals and private individuals	336	1.3	332	1.3	290
Housing loans	966	1.4	857	1.2	808
Others	197	1.2	142	0.9	348
Total	5,030	1.6	4,507	1.5	4,520

Note:

1 Comprise mainly marine vessels.

Non-Performing Assets (cont'd)

	NPL/NPA	NPL ratio	Specific allowance	Specific allowance as a % of NPL/NPA
	\$m	%	\$m	%
NPL by geography ¹				
Singapore				
Dec-21	2,170	1.4	642	30
Jun-21	2,038	1.3	709	35
Dec-20	2,182	1.5	841	39
Malaysia				
Dec-21	829	2.8	226	27
Jun-21	682	2.3	187	27
Dec-20	581	2.0	171	29
Thailand				
Dec-21	751	3.6	237	32
Jun-21	718	3.7	258	36
Dec-20	673	3.3	269	40
Indonesia				
Dec-21	761	7.5	214	28
Jun-21	573	5.4	243	42
Dec-20	522	5.0	221	42
Greater China				
Dec-21	273	0.6	117	43
Jun-21	296	0.6	88	30
Dec-20	328	0.7	89	27
Others				
Dec-21	246	0.6	89	36
Jun-21	200	0.5	79	40
Dec-20	234	0.7	74	32
Group NPL				
Dec-21	5,030	1.6	1,525	30
Jun-21	4,507	1.5	1,564	35
Dec-20	4,520	1.6	1,665	37
Group NPA				
Dec-21	5,077		1,556	31
Jun-21	4,547		1,588	35
Dec-20	4,608		1,692	37
Total allowance				
Group	as a % of NPA²		as a % of unsecured NPA²	
	%		%	
Dec-21	96		239	
Jun-21	110		265	
Dec-20	107		245	

The Group's overall credit portfolio remained healthy with NPL ratio steady at 1.6% as at 31 December 2021. The NPA coverage stayed strong at 96% or 239% after taking collateral into account.

While the path to recovery is clearer compared with a year ago, the Group continued to maintain performing loans coverage prudently at 1%.

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.

United Overseas Bank Limited and Its Subsidiaries

Customer Deposits

	Dec-21	Jun-21	Dec-20
	\$m	\$m	\$m
By product			
Fixed deposits	137,079	141,591	134,034
Savings deposits	99,703	93,359	91,620
Current accounts	98,624	85,214	81,963
Others	17,227	18,730	16,981
Total	352,633	338,894	324,598
By maturity			
Within 1 year	350,888	335,864	321,337
Over 1 year but within 3 years	1,255	2,392	2,486
Over 3 years but within 5 years	61	183	294
Over 5 years	429	455	481
Total	352,633	338,894	324,598
By currency			
Singapore Dollar	155,713	151,478	150,360
US Dollar	100,927	94,559	83,451
Malaysian Ringgit	29,497	29,284	29,543
Thai Baht	21,327	19,646	22,292
Indonesian Rupiah	6,664	6,709	6,288
Others	38,505	37,218	32,664
Total	352,633	338,894	324,598
Group Loan/Deposit ratio (%)	87.0	86.9	85.4
Singapore Dollar Loan/Deposit ratio (%)	87.5	87.2	85.1
US Dollar Loan/Deposit ratio (%)	61.6	62.6	58.2

In tandem with loan growth, customer deposits also grew 9% from a year ago and 4% from the first-half to \$353 billion as at 31 December 2021. The Group continued to focus on stable fundings with CASA ratio increased to 56.2%.

As at 31 December 2021, the Group's loan-to-deposit ratio and Singapore Dollar loan-to-deposit ratio remained healthy at 87.0% and 87.5% respectively.

United Overseas Bank Limited and Its Subsidiaries

Performance by Business Segment ¹

Selected income statement items	GR \$m	GWB \$m	GM \$m	Others \$m	Total \$m
2021					
Net interest income	2,590	3,086	397	315	6,388
Non-interest income	1,524	1,299	247	331	3,401
Operating income	4,114	4,385	644	646	9,789
Operating expenses	(2,087)	(1,036)	(259)	(931)	(4,313)
(Allowance for)/ Write-back of credit and other losses	(174)	(367)	11	(127)	(657)
Share of profit of associates and joint ventures	-	25	-	93	118
Profit/ (Loss) before tax	1,853	3,007	396	(319)	4,937
Tax					(850)
Profit for the financial year					4,087
Other information:					
Capital expenditure	33	33	2	482	550
Depreciation of assets	65	34	13	377	489
2020					
Net interest income	2,772	3,026	425	(188)	6,035
Non-interest income	1,331	1,026	343	441	3,141
Operating income	4,103	4,052	768	253	9,176
Operating expenses	(2,039)	(953)	(265)	(927)	(4,184)
Allowance for credit and other losses	(510)	(771)	(10)	(263)	(1,554)
Share of profit of associates and joint ventures	-	9	-	89	98
Profit/ (Loss) before tax	1,554	2,337	493	(848)	3,536
Tax					(606)
Profit for the financial year					2,930
Other information:					
Capital expenditure	47	40	9	467	563
Depreciation of assets	65	28	12	349	454

Note:

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

Performance by Business Segment¹ (cont'd)

Selected income statement items	GR	GWB	GM	Others	Total
	\$m	\$m	\$m	\$m	\$m
2H21					
Net interest income	1,290	1,598	201	193	3,282
Non-interest income	747	642	89	127	1,605
Operating income	2,037	2,240	290	320	4,887
Operating expenses	(1,081)	(542)	(129)	(415)	(2,167)
(Allowance for)/ Write-back of credit and other losses	(112)	(56)	13	(120)	(275)
Share of profit of associates and joint ventures	-	13	-	34	47
Profit/ (Loss) before tax	844	1,655	174	(181)	2,492
Tax					(423)
Profit for the financial period					2,069
Other information:					
Capital expenditure	18	13	0	262	293
Depreciation of assets	33	19	7	194	253

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)/ Write-back of credit and other losses	(379)	(508)	(12)	27	(872)
Share of profit of associates and joint ventures	-	3	-	56	59
Profit/ (Loss) before tax	649	1,035	206	(252)	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	177	231

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/ (Loss) 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

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 31 December 2021					
Segment assets	110,970	222,812	83,618	36,533	453,933
Intangible assets	1,314	2,083	659	89	4,145
Investment in associates and joint ventures	5	193	-	1,047	1,245
Total assets	112,289	225,088	84,277	37,669	459,323
Segment liabilities	174,019	187,609	36,538	18,296	416,462
Other information:					
Gross customer loans	111,083	198,733	962	22	310,800
Non-performing assets	1,470	3,221	26	360	5,077
At 30 June 2021					
Segment assets	108,041	212,725	85,908	34,458	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	86,567	35,588	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	97,495	26,277	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	98,154	27,396	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

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 organisation 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.

Against a year ago, profit before tax increased 19% to \$1.85 billion in 2021. Total income was sustained at \$4.11 billion as wealth management income reached record levels alongside assets under management and credit card activities rebounded strongly, offsetting the impact of thinner deposit margin. Expenses were 2% higher at \$2.09 billion in 2021 primarily from technology-related investments while discretionary spend remained closely managed. Allowances for credit and other losses pulled back sharply to \$174 million, benefitting from general allowance reversal as credit conditions began to stabilise.

2H21 profit before tax grew 30% to \$844 million against a year ago, largely from the release in general allowance amid stabilising macro conditions, albeit partly offset by continued technology investments to enhance customer experience, product capabilities and productivity. Compared with 1H21, profit before tax was 16% lower due to seasonally higher expenses to support franchise growth, coupled with softer fee income.

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.

Compared with a year ago, profit before tax rose 29% to \$3.01 billion in 2021. Income expanded 8% to \$4.39 billion as robust credit demand from large corporate and institutional clients drove strong loan growth, supplemented with healthy loan-related and investment banking fees. Expenses increased 9% to \$1.04 billion, mainly from strategic investments in people and technology. Allowances for credit and other losses halved due to lower NPL formation and higher loan recoveries amid improving credit conditions.

Second-half profit before tax of \$1.66 billion rebounded 60% against 2H20 and 23% compared with 1H21, driven by healthy franchise volume growth and easing allowances amid a pickup in business activities. This was partially offset by expense growth in people and technology.

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.

Against a year ago, profit before tax declined by 20% to \$396 million. Total income decreased by 16% to \$644 million in 2021, arising from lower sale of investment securities and narrower spreads than at the beginning of the global pandemic. This was partly offset by lower expenses and allowances for credit and other losses.

Profit before tax fell by 16% and 22% against 2H20 and 1H21 respectively, mainly due to lower returns from portfolio liquidity management, partly moderated by improved trading performance and write-back of general allowance.

Others

Others segment includes corporate support functions and results of decisions not attributable to the business segments mentioned above as well as other activities, which comprises property, insurance and investment management.

Loss before tax of \$319 million in 2021 compared with \$848 million in losses a year ago, largely attributable to central treasury activities and gain on investments. General allowance was also lower in light of improved credit conditions.

Compared with 2H20, loss before tax narrowed by \$71 million, mainly due to improved contribution from central treasury activities. Profit before tax was \$42 million lower against 1H21 from higher allowances for credit and other losses, and strong investment management performance in the first half.

United Overseas Bank Limited and Its Subsidiaries

Performance by Geographical Segment¹

	Singapore \$m	Malaysia \$m	Thailand \$m	Indonesia \$m	Greater China \$m	Others \$m	Total \$m
2021							
Net interest income	3,161	837	736	393	664	597	6,388
Non-interest income	2,034	309	256	181	315	306	3,401
Operating income	5,195	1,146	992	574	979	903	9,789
Operating expenses	(2,356)	(457)	(585)	(353)	(410)	(152)	(4,313)
Allowance for credit and other losses	(108)	(137)	(136)	(145)	(96)	(35)	(657)
Share of profit of associates and joint ventures	125	0	-	-	2	(9)	118
Profit before tax	2,856	552	271	76	475	707	4,937
Total assets before intangible assets	258,453	43,596	29,220	11,255	66,741	45,913	455,178
Intangible assets	3,182	-	723	234	-	6	4,145
Total assets	261,635	43,596	29,943	11,489	66,741	45,919	459,323
2020							
Net interest income	2,998	777	734	365	655	506	6,035
Non-interest income	1,862	338	258	190	245	248	3,141
Operating income	4,860	1,115	992	555	900	754	9,176
Operating expenses	(2,267)	(439)	(600)	(344)	(386)	(148)	(4,184)
Allowance for credit and other losses	(692)	(244)	(282)	(150)	(136)	(50)	(1,554)
Share of profit of associates and joint ventures	94	0	-	-	(2)	6	98
Profit before tax	1,995	432	110	61	376	562	3,536
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

Note:

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

United Overseas Bank Limited and Its Subsidiaries

Performance by Geographical Segment ¹

	Singapore	Malaysia	Thailand	Indonesia	Greater China	Others	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2H21							
Net interest income	1,623	422	377	196	348	316	3,282
Non-interest income	933	156	124	95	155	142	1,605
Operating income	2,556	578	501	291	503	458	4,887
Operating expenses	(1,146)	(244)	(296)	(188)	(215)	(78)	(2,167)
(Allowance for)/ Write-back of credit and other losses	2	(63)	(85)	(69)	(51)	(9)	(275)
Share of profit of associates and joint ventures	62	0	-	-	1	(16)	47
Profit before tax	1,474	271	120	34	238	355	2,492
Total assets before intangible assets	258,453	43,596	29,220	11,255	66,741	45,913	455,178
Intangible assets	3,182	-	723	234	-	6	4,145
Total assets	261,635	43,596	29,943	11,489	66,741	45,919	459,323
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
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

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

Profit before tax rebounded 43% year-on-year to \$2.86 billion in 2021, on the back of markedly lower credit costs and broad-based income growth as Singapore has led the region's economic recovery. Net interest income increased 5% to \$3.16 billion from asset growth, while non-interest income rose 9% to \$2.03 billion with strong fee performance in wealth management, loans, investment banking and credit cards. Expenses were 4% higher at \$2.36 billion, in line with revenue growth and pick-up in business activities. Credit costs reduced significantly to \$108 million, attributable to receding general allowance, lower NPL formation and higher loan recoveries amid improving credit conditions.

For 2H21, profit before tax achieved a 46% growth year-on-year to \$1.47 billion, mainly from general allowance reversal and stronger net interest income.

Profit before tax grew 7% against 1H21. The write-back in general allowance, improved net interest income stemming from loan growth and lower cost of funds, as well as lower expenses were partly offset by softer treasury income and fees.

Malaysia

Against a year ago, profit before tax improved 28% to \$552 million in 2021, primarily driven by lower general allowance. Total income grew 3% to \$1.15 billion, supported by higher net interest income from wider loan margin, and strong fee momentum. This was partly offset by lower trading income and gains from investment securities.

Second-half profit before tax doubled year-on-year to \$271 million, largely from lower general allowance as credit conditions stabilised.

Against 1H21, profit before tax eased 3% to \$271 million, mainly from higher expenses relating to investments in people, technology and support for franchise growth.

Thailand

Profit before tax more than doubled year-on-year to \$271 million in 2021 and \$120 million in 2H21, largely benefitting from write-back in general allowance.

Compared with 1H21, profit before tax was 20% lower at \$120 million, with the pick-up in credit costs partially buttressed by higher net interest income.

Indonesia

Profit before tax in 2021 rose 24% to \$76 million from a year ago, driven mainly by income growth. Net interest income grew 8% to \$393 million, largely supported by lower cost of funds. Non-interest income declined 5% to \$181 million from lower trading income, partly cushioned by double-digit growth in fee and commission income.

Profit before tax of \$34 million in 2H21 decreased 9% from a year ago and 20% half-on-half, largely attributable to higher revenue-related expenses and investments to strengthen technology capabilities.

Greater China

Compared with a year ago, profit before tax recorded strong growth of 26% to \$475 million in 2021 and 59% to \$238 million in 2H21 as the Chinese economy has rebounded strongly from the pandemic. The profit growth was driven by double-digit increase in loan-related fee and treasury income as well as lower credit costs, partially offset by higher staff costs.

After a strong first half, profit before tax was sustained into 2H21, from stronger net interest income on the back of asset growth and lower cost of funds, partly offset by higher costs and credit allowance.

Others

Against the same period last year, profit before tax registered strong growth of 26% to \$707 million in 2021 and 38% to \$355 million in 2H21. This was supported by higher net interest income, loan-related fees and gains from investment securities. Allowance for credit and other losses were lower than a year ago, while contribution from associates declined.

Profit before tax in the second half of 2021 was relatively unchanged from the first half. The growth in net interest income and decrease in general allowance were negated by lower fee and contribution from associates.

United Overseas Bank Limited and Its Subsidiaries

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

	Dec-21	Jun-21	Dec-20
	\$m	\$m	\$m
Share capital	5,014	5,143	5,043
Disclosed reserves/others	34,663	33,932	32,914
Regulatory adjustments	(4,742)	(4,752)	(4,726)
Common Equity Tier 1 Capital ("CET1")	34,935	34,323	33,231
Perpetual capital securities/others	2,379	2,379	2,379
Additional Tier 1 Capital ("AT1")	2,379	2,379	2,379
Tier 1 Capital	37,314	36,702	35,610
Subordinated notes	4,320	5,298	4,287
Provisions/others	1,441	1,613	1,493
Tier 2 Capital	5,761	6,911	5,780
Eligible Total Capital	43,075	43,613	41,390
Risk-Weighted Assets ("RWA")	259,067	241,090	225,441
Capital Adequacy Ratios ("CAR")			
CET1	13.5%	14.2%	14.7%
Tier 1	14.4%	15.2%	15.8%
Total	16.6%	18.1%	18.4%
Leverage Exposure	517,243	498,595	478,233
Leverage Ratio	7.2%	7.4%	7.4%

The Group's CET1, Tier 1 and Total CAR as at 31 December 2021 remained well above the regulatory minimum requirements.

Year on year, total capital increased from retained earnings, partly offset by lower valuation and foreign exchange translation reserves. RWA was higher mainly from asset growth.

Compared to 30 June 2021, total capital was lower due to interim dividend payment, redemption of Tier 2 subordinated notes, as well as lower valuation reserves. RWA was higher driven by asset growth.

As at 31 December 2021, the Group's leverage ratio was 7.2%, 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 Statements (Audited) for the financial year ended 31 December 2021

	The Group			
	2021	2020	2H21 ¹	2H20 ¹
	\$m	\$m	\$m	\$m
Interest income	8,204	9,623	4,152	4,258
Less: Interest expense	1,816	3,588	870	1,272
Net interest income	6,388	6,035	3,282	2,986
Net fee and commission income	2,412	1,997	1,178	1,037
Dividend income	40	50	16	18
Rental income	105	106	52	50
Net trading income	514	594	234	222
Net gain from investment securities	216	286	69	141
Other income	114	108	56	55
Non-interest income	3,401	3,141	1,605	1,523
Total operating income	9,789	9,176	4,887	4,509
Less: Staff costs	2,602	2,501	1,275	1,205
Other operating expenses	1,711	1,683	892	853
Total operating expenses	4,313	4,184	2,167	2,058
Operating profit before allowance	5,476	4,992	2,720	2,451
Less: Allowance for credit and other losses	657	1,554	275	872
Operating profit after allowance	4,819	3,438	2,445	1,579
Share of profit of associates and joint ventures	118	98	47	59
Profit before tax	4,937	3,536	2,492	1,638
Less: Tax	850	606	423	271
Profit for the financial period	4,087	2,930	2,069	1,367
Attributable to:				
Equity holders of the Bank	4,075	2,915	2,063	1,356
Non-controlling interests	12	15	6	11
	4,087	2,930	2,069	1,367
Earnings per share (\$) ^{2,3}				
Basic	2.39	1.69	2.42	1.57
Diluted	2.38	1.68	2.41	1.56

Notes:

1 Unaudited.

2 Computed on an annualised basis.

3 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 (Audited) for the financial year ended 31
December 2021

	The Group			
	2021	2020	2H21 ¹	2H20 ¹
	\$m	\$m	\$m	\$m
Profit for the financial period	4,087	2,930	2,069	1,367
Other comprehensive income that will not be reclassified to income statement				
Net gain/(loss) on equity instruments at fair value through other comprehensive income	101	1	(48)	148
Fair value changes on financial liabilities designated at fair value due to the Bank's own credit risk	3	(4)	(5)	(3)
Remeasurement of defined benefit obligation	5	(1)	5	(2)
Related tax on items at fair value through other comprehensive income	(9)	0	2	(7)
	100	(4)	(46)	136
Other comprehensive income that may be subsequently reclassified to income statement				
Currency translation adjustments	(170)	(22)	(29)	(73)
Debt instruments at fair value through other comprehensive income				
Change in fair value	(535)	384	(261)	43
Transfer to income statement on disposal	(53)	(109)	(11)	(28)
Changes in allowance for expected credit losses	8	7	(5)	4
Related tax	53	(22)	24	3
	(697)	238	(282)	(51)
Change in share of other comprehensive income of associates and joint ventures	10	(6)	7	(26)
Other comprehensive income for the financial period, net of tax	(587)	228	(321)	59
Total comprehensive income for the financial period, net of tax	3,500	3,158	1,748	1,426
Attributable to:				
Equity holders of the Bank	3,485	3,143	1,744	1,414
Non-controlling interests	15	15	4	12
	3,500	3,158	1,748	1,426

Note:

1 Unaudited.

United Overseas Bank Limited and Its Subsidiaries
Consolidated Balance Sheet (Audited) as at 31 December 2021

	The Group		The Bank	
	Dec-21 \$m	Dec-20 \$m	Dec-21 \$m	Dec-20 \$m
Equity				
Share capital and other capital	7,391	7,420	7,391	7,420
Retained earnings	26,439	24,109	19,232	17,510
Other reserves	8,803	9,372	9,460	9,786
Equity attributable to equity holders of the Bank	42,633	40,901	36,083	34,716
Non-controlling interests	228	230	-	-
Total equity	42,861	41,131	36,083	34,716
Liabilities				
Deposits and balances of banks	15,561	15,977	13,169	14,257
Deposits and balances of customers	352,633	324,598	277,193	251,111
Deposits and balances of subsidiaries	-	-	16,070	14,216
Bills and drafts payable	977	792	799	613
Derivative financial liabilities	5,172	11,519	4,161	8,741
Other liabilities	7,069	7,379	5,547	5,954
Tax payable	563	374	444	278
Deferred tax liabilities	431	436	269	263
Debts issued	34,056	29,608	32,781	28,086
Total liabilities	416,462	390,683	350,433	323,519
Total equity and liabilities	459,323	431,814	386,516	358,235
Assets				
Cash, balances and placements with central banks	36,558	36,798	28,356	31,452
Singapore Government treasury bills and securities	7,426	8,103	7,424	8,103
Other government treasury bills and securities	14,898	13,890	5,147	3,796
Trading securities	5,788	4,215	4,990	3,523
Placements and balances with banks	38,916	40,284	28,176	30,409
Loans to customers	306,713	277,201	243,608	216,629
Placements with and advances to subsidiaries	-	-	23,948	21,023
Derivative financial assets	5,362	11,368	4,251	8,719
Investment securities	29,068	25,217	24,556	18,158
Other assets	4,683	5,033	2,963	3,428
Deferred tax assets	510	429	126	109
Investment in associates and joint ventures	1,245	1,210	309	325
Investment in subsidiaries	-	-	6,291	6,199
Investment properties	829	964	902	979
Fixed assets	3,182	2,959	2,287	2,201
Intangible assets	4,145	4,143	3,182	3,182
Total assets	459,323	431,814	386,516	358,235
Off-balance sheet items				
Contingent liabilities	31,303	27,120	23,029	19,890
Financial derivatives	743,500	806,715	605,590	657,223
Commitments	175,269	160,407	135,917	123,909
Net asset value per ordinary share (\$)	24.08	23.03	20.16	19.33

United Overseas Bank Limited and Its Subsidiaries
Statements of Changes in Equity (Audited) for the financial year ended 31 December 2021

	The Group					
	Attributable to equity holders of the Bank					
	Share capital and other capital	Retained earnings	Other reserves	Total	Non- controlling interests	Total equity
\$m	\$m	\$m	\$m	\$m	\$m	
Balance at 1 January 2021	7,420	24,109	9,372	40,901	230	41,131
Profit for the financial year	-	4,075	-	4,075	12	4,087
Other comprehensive income for the financial year	-	12	(602)	(590)	3	(587)
Total comprehensive income for the financial year	-	4,087	(602)	3,485	15	3,500
Transfers	-	(24)	24	-	-	-
Change in non-controlling interests	-	-	-	-	(9)	(9)
Dividends	-	(1,733)	-	(1,733)	(8)	(1,741)
Shares re-purchased - held in treasury	(130)	-	-	(130)	-	(130)
Shares issued under scrip dividend scheme	52	-	-	52	-	52
Share-based compensation	-	-	59	59	-	59
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 31 December 2021	7,391	26,439	8,803	42,633	228	42,861
Balance at 1 January 2020	7,325	23,404	8,907	39,636	228	39,864
Profit for the financial year	-	2,915	-	2,915	15	2,930
Other comprehensive income for the financial year	-	(5)	233	228	(0)	228
Total comprehensive income for the financial year	-	2,910	233	3,143	15	3,158
Transfers	-	(223)	223	-	-	-
Change in non-controlling interests	-	1	-	1	(6)	(5)
Dividends	-	(1,983)	-	(1,983)	(7)	(1,990)
Shares re-purchased - held in treasury	(20)	-	-	(20)	-	(20)
Shares issued under scrip dividend scheme	66	-	-	66	-	66
Share-based compensation	-	-	58	58	-	58
Shares issued under share-based compensation plan	49	-	(49)	-	-	-
Balance at 31 December 2020	7,420	24,109	9,372	40,901	230	41,131

Note:

As at 31 December 2021, the revaluation surplus of \$5.15 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 (Audited) for the financial year ended 31 December 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 year	-	3,454	-	3,454
Other comprehensive income for the financial year	-	(0)	(334)	(334)
Total comprehensive income for the financial year	-	3,454	(334)	3,120
Transfers	-	1	(1)	-
Dividends	-	(1,733)	-	(1,733)
Share re-purchased - held in treasury	(130)	-	-	(130)
Shares issued under scrip dividend scheme	52	-	-	52
Share-based compensation	-	-	59	59
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 31 December 2021	7,391	19,232	9,460	36,083
Balance at 1 January 2020	7,325	17,197	9,351	33,873
Profit for the financial year	-	2,523	-	2,523
Other comprehensive income for the financial year	-	(1)	200	199
Total comprehensive income for the financial year	-	2,522	200	2,722
Transfers	-	(226)	226	-
Dividends	-	(1,983)	-	(1,983)
Shares re-purchased - held in treasury	(20)	-	-	(20)
Shares issued under scrip dividend scheme	66	-	-	66
Share-based compensation	-	-	58	58
Shares issued under share-based compensation plans	49	-	(49)	-
Balance at 31 December 2020	7,420	17,510	9,786	34,716

United Overseas Bank Limited and Its Subsidiaries
Consolidated Cash Flow Statement (Audited) for the financial year ended 31 December 2021

	The Group	
	2021	2020
	\$m	\$m
Cash flows from operating activities		
Profit for the financial year	4,087	2,930
Adjustments for:		
Allowance for credit and other losses	657	1,554
Share of profit of associates and joint ventures	(118)	(98)
Tax	850	606
Depreciation of assets	489	454
Net gain on disposal of assets	(193)	(718)
Share-based compensation	59	58
Operating profit before working capital changes	5,831	4,786
Change in working capital:		
Deposits and balances of banks	(236)	495
Deposits and balances of customers	29,752	13,955
Bills and drafts payable	196	149
Other liabilities	(7,130)	6,634
Restricted balances with central banks	(155)	278
Government treasury bills and securities	(410)	(398)
Trading securities	(1,493)	(988)
Placements and balances with banks	1,257	12,539
Loans to customers	(31,573)	(13,154)
Investment securities	(4,615)	(9,148)
Other assets	6,442	(4,818)
Cash (used in)/generated from operations	(2,134)	10,330
Income tax paid	(675)	(707)
Net cash (used in)/provided by operating activities	(2,809)	9,623
Cash flows from investing activities		
Capital injection into associates and joint ventures	(3)	(4)
Distribution from associates and joint ventures	76	47
Purchase of properties and other fixed assets	(550)	(563)
Disposal of properties and other fixed assets	37	9
Net cash used in investing activities	(440)	(511)
Cash flows from financing activities		
Perpetual capital securities issued	749	-
Redemption of perpetual capital securities	(750)	-
Issuance of debts issued	29,648	31,433
Redemption of debts issued	(24,699)	(27,318)
Shares re-purchased - held in treasury	(130)	(20)
Change in non-controlling interests	(9)	(6)
Dividends paid on ordinary shares	(1,607)	(1,837)
Distribution for perpetual capital securities	(85)	(92)
Dividends paid to non-controlling interests	(8)	(7)
Lease payments	(87)	(92)
Net cash provided by financing activities	3,022	2,061
Currency translation adjustments	(165)	3
Net (decrease)/increase in cash and cash equivalents	(392)	11,176
Cash and cash equivalents at beginning of the financial year	31,364	20,188
Cash and cash equivalents at end of the financial year	30,972	31,364

United Overseas Bank Limited and Its Subsidiaries
Notes to the Condensed Financial Statements for the financial year ended 31 December 2021

1 Summary of Significant Accounting Policies

(a) Basis of Preparation

The condensed financial statements for the second half ended 31 December 2021 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed 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 interim financial statements for the period ended 30 June 2021.

(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 – Phase 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 a significant impact to the Group's financial information as at 1 January 2021 and for the financial year ended 31 December 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 financial year ended 31 December 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 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 Financial Statements for the financial year ended 31 December 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 consolidated statement of profit or loss are:

	Group			
	2021	2020	2H21	2H20
	\$m	\$m	\$m	\$m
Current income tax expense	881	640	450	292
Deferred income tax expense	(47)	(54)	(36)	(34)

3 Share Capital and Other Capital

	Dec-21		Dec-20	
	Number of shares '000	Amount \$m	Number of shares '000	Amount \$m
Ordinary shares				
Balance at beginning of period	1,683,916	5,299	1,680,541	5,233
Shares issued under scrip dividend scheme	2,007	52	3,375	66
Balance at end of period	1,685,923	5,351	1,683,916	5,299
Treasury shares				
Balance at beginning of period	(11,101)	(255)	(12,207)	(284)
Shares re-purchased - held in treasury	(4,900)	(130)	(993)	(20)
Shares issued under share based compensation plan	2,068	48	2,099	49
Balance at end of period	(13,933)	(337)	(11,101)	(255)
Ordinary share capital	1,671,990	5,014	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		7,391		7,420

United Overseas Bank Limited and Its Subsidiaries
Notes to the Condensed Financial Statements for the financial year ended 31 December 2021

4 Dividends

	The Group	
	2021	2020
	\$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
Interim dividend of 60 cents (2020: 39 cents) tax-exempt per share paid in respect of the financial year	1,006	651

In respect of the financial year ended 31 December 2021, the directors have proposed a final tax-exempt dividend of 60 cents per ordinary share amounting to a total dividend of \$1,003 million.

5 Classification of Financial Assets and Financial Liabilities

In \$m	The Group					Total
	HFT	FVPL - mandatory	FVPL - designated	FVOCI	AC	
Dec-21						
Cash, balances and placements with central banks	3,078	-	-	5,316	28,164	36,558
Singapore government treasury bills and securities	334	-	-	6,738	354	7,426
Other government treasury bills and securities	1,424	-	-	13,317	157	14,898
Trading securities	5,788	-	-	-	-	5,788
Placements and balances with banks	12,215	-	-	5,655	21,046	38,916
Loans to customers	3,772	-	-	80	302,861	306,713
Derivative financial assets	5,362	-	-	-	-	5,362
Investment securities						
Debt	-	45	-	18,627	6,946	25,618
Equity	-	1,174	-	2,276	-	3,450
Other assets	1,912	-	-	2	2,644	4,558
Total financial assets	33,885	1,219	-	52,011	362,172	449,287
Non-financial assets						10,036
Total assets						459,323
Deposits and balances of banks and customers	1,206	-	877	-	366,111	368,194
Bills and drafts payable	-	-	-	-	977	977
Derivative financial liabilities	5,172	-	-	-	-	5,172
Other liabilities	2,443	-	268	1	3,099	5,811
Debts issued	-	-	1,229	-	32,827	34,056
Total financial liabilities	8,821	-	2,374	1	403,014	414,210
Non-financial liabilities						2,252
Total liabilities						416,462

United Overseas Bank Limited and Its Subsidiaries
Notes to the Condensed Financial Statements for the financial year ended 31 December 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	0	370,697	388,732
Non-financial liabilities						1,951
Total liabilities						390,683

United Overseas Bank Limited and Its Subsidiaries
Notes to the Condensed Financial Statements for the financial year ended 31 December 2021

6 Fair Value of Financial Instruments

(a) Valuation methodology, processes and controls for the financial year ended 31 December 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, fair values are estimated using the discounted cash flow method;
- For loans and deposits of customers, fair values are estimated using the discounted cash flow method;
- For non-subordinated debts issued and investment debt securities, fair values are estimated based on independent broker quotes; 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					
	Dec-21			Dec-20		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Cash, balances and placements with central banks	3,576	4,818	-	2,081	3,532	-
Singapore government treasury bills and securities	7,072	-	-	8,103	-	-
Other government treasury bills and securities	12,845	1,896	-	11,650	2,227	-
Trading securities	1,581	4,006	201	1,921	1,318	976
Placements and balances with banks	-	17,870	-	-	15,892	-
Loans to customers	-	3,852	-	-	4,212	-
Derivative financial assets	250	5,017	95	207	11,041	120
Investment securities						
Debt	1,247	16,243	1,182	3,751	12,015	2,221
Equity	1,370	-	2,080	871	-	1,911
Other assets	1,556	358	-	1,623	230	-
	29,497	54,060	3,558	30,207	50,467	5,228
Total financial assets carried at fair value			87,115			85,902
Deposits and balances of banks and customers	-	2,083	-	-	2,128	-
Derivative financial liabilities	205	4,916	51	196	11,133	190
Other liabilities	458	2,254	-	50	3,421	-
Debts issued	-	1,229	-	-	917	-
	663	10,482	51	246	17,599	190
Total financial liabilities carried at fair value			11,196			18,035

United Overseas Bank Limited and Its Subsidiaries
Notes to the Condensed Financial Statements for the financial year ended 31 December 2021

6 Fair Value of Financial Instruments (continued)

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

In \$m	The Group						Balance at 31 December	Unrealised gains or losses included in income statement
	Balance at 1 January	Fair value gains or losses		Purchases	Settlements	Transfer in/(out)		
		Income Statement	Other compre- hensive income					
Dec 21								
Assets								
Trading securities	976	0	-	201	(976)	0	201	0
Derivative financial assets	120	(25)	-	-	-	-	95	(25)
Investment securities								
- debt	2,221	(7)	0	660	(1,534)	(158) ⁽¹⁾	1,182	(7)
Investment securities								
- equity	1,911	105	11	151	(70)	(28)	2,080	105
Liabilities								
Derivative financial liabilities	190	(139)	-	-	-	-	51	(139)
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 Financial Statements for the financial year ended 31 December 2021

7 Debts Issued

	The Group	
	Dec-21	Dec-20
	\$m	\$m
Unsecured		
Subordinated debts	5,333	5,363
Commercial papers	13,618	11,938
Fixed and floating rate notes	6,016	5,140
Others	1,234	923
Secured		
Covered bonds	7,855	6,244
Total	34,056	29,608
Due within 1 year	16,827	15,290
Due after 1 year	17,229	14,318
Total	34,056	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 structured 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.

8 Subsequent Events

On 14 January 2022, the Group proposed acquisition of Citigroup Inc.'s consumer banking businesses comprising its unsecured and secured lending portfolios, wealth management and retail deposit businesses (the "Consumer Business") in Indonesia, Malaysia, Thailand and Vietnam. Total cash consideration on this acquisition is based on an aggregate premium equivalent to \$915m plus the net asset value of the Consumer Business as at completion.

Completion of the acquisition in each country will be conditional on obtaining regulatory approvals relevant to each country and in Singapore. It is estimated that completion will take place between mid-2022 and early 2024, depending on the progress and outcome of the regulatory approval process.

The extract of the auditor's report dated 15 February 2022, on the financial statements of United Overseas Bank Limited and Its Subsidiaries for the financial year ended 31 December 2021, is as follows:

United Overseas Bank Limited and Its Subsidiaries
Independent Auditor's Report for the financial year ended 31 December 2021

Independent Auditor's Report to the Members of United Overseas Bank Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of United Overseas Bank Limited (the Bank) and its subsidiaries (collectively, the Group), set out on pages 9 to 105, which comprise the balance sheets of the Bank and the Group as at 31 December 2021, the income statements, the statements of comprehensive income, and the statements of changes in equity of the Bank and the Group and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet, income statement, statement of comprehensive income and statement of changes in equity of the Bank, are properly drawn up in accordance with the provisions of the Companies Act 1967 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Bank as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group, and of the financial performance and changes in equity of the Bank for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Areas of focus	How our audit addressed the risk factors
<p>Expected credit losses</p> <p><i>Refer to Notes 2(d)(vi), 3(a)(i), 3(b), 12, 21(b), 25, 27(b), 28(d), 30(b) and 31 to the consolidated financial statements.</i></p> <p>The Group applies SFRS(I) 9 Financial Instruments requirements to calculate the expected credit loss (ECL) for its credit exposures. The credit exposures are categorised into non-impaired credit exposures and impaired credit exposures.</p> <p><i>a) <u>Non-impaired credit exposures</u></i></p> <p>The ECL calculation for non-impaired credit exposures involves significant judgements and estimates. Areas we have identified which have greater levels of management judgement are:</p> <ul style="list-style-type: none"> • the economic scenarios used and the probability weightages applied to them to measure ECLs on a forward-looking basis, reflecting management's view of potential future economic scenarios, including the continuing impact of the COVID-19 pandemic; • the significant increase in credit risk (SICR) criteria; • the model assumptions; and • the adjustments to the model-driven ECL results to address model limitations or emerging trends. 	<p><i>a) <u>Non-impaired credit exposures</u></i></p> <p>We assessed the design and evaluated the operating effectiveness of the key controls over the Group's ECL on non-impaired credit exposures computation processes with a focus on:</p> <ul style="list-style-type: none"> • the completeness and accuracy of the data inputs into the ECL calculation system; • the validation of models; • the selection and implementation of economic scenarios and probabilities, with consideration of the COVID-19 pandemic impact; • the staging of credit exposures based on the Group's SICR criteria; and • the governance over post model adjustments. <p>We involved our internal modelling specialists to assist us in performing the following procedures on a sampling basis:</p> <ul style="list-style-type: none"> • independently reviewed the model validation results; • assessed the reasonableness of the probabilities of default (PD), loss given default (LGD) and exposure at default (EAD) models by performing sensitivity analyses, benchmarking or back-testing; and • reviewed the Group's assessment of its SICR criteria. <p>We also reviewed the Group's approach for the selection of economic scenario to assess the reasonableness of the economic scenarios and corresponding weightages applied by the Group, as well as inspected the Group's SFRS(I) 9 Working Group decisions to assess the appropriateness of management's rationale over the post model adjustments and performed a recalculation, where applicable.</p>

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Areas of focus	How our audit addressed the risk factors
<p><i>b) Impaired credit exposures</i> As at 31 December 2021, the Stage 3 ECL for impaired credit exposures of the Group was \$1,556 million, out of which 76% pertained to the Group Wholesale Banking (GWB) portfolio.</p> <p>We focused on the Stage 3 ECL for the GWB portfolio as the identification and estimation of impairment within this portfolio can be inherently subjective and requires significant judgements.</p>	<p><i>b) Impaired credit exposures</i></p> <p>We assessed the design and evaluated the operating effectiveness of the key controls over the Stage 3 ECL estimation process for the GWB portfolio. These controls included:</p> <ul style="list-style-type: none"> • collateral valuation and monitoring; • identification of impairment indicators; • MAS Notice 612 and 612A credit grading; and • oversight of the Group Credit Committee. <p>We considered the magnitude of the credit exposures, macroeconomic factors, industry trends and latest developments in relation to the COVID-19 pandemic in our audit sampling to focus on customers that are assessed to be of higher risk. With the increased credit risk resulting from the COVID-19 pandemic, we performed additional procedures as outlined below:</p> <ul style="list-style-type: none"> • reviewed the Group's loan classification process arising from the implementation of MAS Notice 612A; and • assessed, as part of our credit reviews of selected borrowers, the appropriateness of the Group’s consideration over financial projections and other qualitative assumptions applied in determining the credit gradings based on the revised COVID-19 rating guidance. <p>For our selected sample of impaired loans, we performed the following procedures:</p> <ul style="list-style-type: none"> • assessed management’s forecast of recoverable cash flows, including the basis for the amounts and timing of recoveries. Where possible, we compared key assumptions to external evidence, e.g. independent valuation reports of the collaterals; • considered and corroborated the borrowers’ latest developments through adverse news search and/or publicly available information; • checked that underlying data was accurate by agreeing to source documents such as loan agreements; and • tested the calculations. <p>Overall, the results of our evaluation of the Group’s ECL were within a reasonable range of expectations.</p>

Areas of focus	How our audit addressed the risk factors
<p>Valuation of illiquid or complex financial instruments <i>Refer to Notes 2(d)(ii), 3(a)(ii) and 19(b) to the consolidated financial statements.</i></p> <p>At 31 December 2021, 4% (\$4 billion) of the Group's total financial instruments that were carried at fair value were classified as Level 3.</p> <p>The Level 3 instruments mainly comprised unquoted equity investments and funds, long dated equity derivatives, callable interest rate swaps and unquoted debt securities.</p> <p>The valuation of Level 3 financial instruments was a key area of focus of our audit due to their financial significance to the Group as well as its susceptibility to a higher degree of estimation uncertainty. The determination of certain Level 3 prices is considerably more subjective as it may require the exercise of judgement by management or the use of complex models and assumptions given the lack of availability of market-based data.</p>	<p>We assessed the design and evaluated the operating effectiveness of the key controls over the Group's Level 3 financial instruments valuation processes. These controls included:</p> <ul style="list-style-type: none"> • model validation and approval; • observability, completeness and accuracy of pricing inputs; • independent price verification; and • monitoring of collateral disputes. <p>In addition, with the assistance of our internal valuation specialists, we assessed the reasonableness of the valuation methodologies, assumptions and inputs used by management for a sample of financial instruments.</p> <p>The results of our assessment of the Group's valuation of illiquid or complex financial instruments were within the range of expected outcomes.</p>
<p>Impairment of goodwill <i>Refer to Notes 2(i), 3(a)(iii) and 37 to the consolidated financial statements.</i></p> <p>As at 31 December 2021, the Group's balance sheet included goodwill of \$4 billion. The goodwill is allocated to the respective cash-generating units (CGUs) defined by the Group's business segments.</p> <p>This was a key area of focus for our audit because the goodwill impairment test relies on the calculation of the value-in-use (VIU) of each CGU, which involves significant management judgement and assumptions about the future cash flows of the CGUs and the discount rates applied.</p>	<p>We focused on CGUs with a low headroom or significantly reduced headroom. Our work included the following:</p> <ul style="list-style-type: none"> • reviewed the appropriateness of the CGU segmentation; • evaluated the forecasting process by reviewing historical achievement of projections; • assessed the reasonableness of key assumptions used in the forecasts, including management's consideration of the impact of the COVID-19 pandemic and the continued uncertainty of the future macroeconomic environment; • compared the long-term growth rates and discount rates used by management to our ranges, which were determined using external market data and calculations performed by our internal valuation specialists; and • performed sensitivity analyses to determine the impact of a reasonably possible change in the key assumptions to the VIU calculations to identify any CGU with a risk of impairment. <p>Based on the results of our audit procedures, the assumptions used by management in its goodwill impairment tests were within a reasonable range of expectations.</p>

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Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the annual report (Other Sections), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and take appropriate actions in accordance with SSAs.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Bank and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Wilson Woo Siew Wah.



ERNST & YOUNG LLP
Public Accountants and Chartered Accountants
Singapore

15 February 2022