

SELECTED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

IMPORTANT

The following financial information contains only a summary of the information in the financial statements of the Bank and the Group for the financial year ended 31 December 2022 (the full financial statements). The financial information does not contain sufficient information to allow for a full understanding of the results and state of affairs of the Bank and of the Group. For further information, the full audited financial statements and the Independent Auditor's Report on the full audited financial statements should be consulted. These are available on the Bank's website at <https://www.uobgroup.com/investor-relations/financial/group-annual-reports.html>.

Independent Auditor's Report

for the financial year ended 31 December 2022

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 # to #, which comprise the balance sheets of the Bank and the Group as at 31 December 2022, 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 2022 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.

The page numbers are as stated in the Independent Auditor's Report dated 22 February 2023 in the UOB Annual Report 2022.

Areas of focus	How our audit addressed the risk factors
<p>Expected credit losses</p> <p>Refer to Notes 2(d)(vi), 3(i), 12, 21(b), 25, 27(b), 28(d), 30(b) and 31 to the consolidated financial statements.</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) Non-impaired credit exposures</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; • 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) Non-impaired credit exposures</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; • the staging of credit exposures based on the Group's SICR criteria and early warning indicators; and • the governance over post model adjustments, including the effect of the acquired Citibank consumer banking businesses. <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 appropriateness of ECL model methodologies; • 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>

Areas of focus	How our audit addressed the risk factors
<p data-bbox="121 383 462 414"><i>b) Impaired credit exposures</i></p> <p data-bbox="121 446 662 606">As at 31 December 2022, the Stage 3 ECL for impaired credit exposures of the Group was \$1,755 million, out of which 80% pertained to the Group Wholesale Banking (GWB) portfolio.</p> <p data-bbox="121 638 662 798">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 data-bbox="669 383 1006 414"><i>b) Impaired credit exposures</i></p> <p data-bbox="669 446 1503 542">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 data-bbox="669 574 1218 734" style="list-style-type: none"> <li data-bbox="669 574 1128 606">• collateral valuation and monitoring; <li data-bbox="669 638 1218 670">• identification of impairment indicators; and <li data-bbox="669 702 1071 734">• MAS Notice 612 credit grading. <p data-bbox="669 766 1503 893">We considered the magnitude of the credit exposures, macroeconomic factors and industry trends in our audit sampling to focus on customers that were assessed to be of higher risk and for our selected sample of impaired loans, we performed the following procedures:</p> <ul data-bbox="669 925 1503 1287" style="list-style-type: none"> <li data-bbox="669 925 1503 1117">• 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; <li data-bbox="669 1149 1503 1212">• checked that underlying data was accurate by agreeing to source documents such as loan agreements; and <li data-bbox="669 1244 982 1276">• tested the calculations. <p data-bbox="669 1308 1503 1372">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</p> <p><i>Refer to Notes 2(d)(ii), 3(ii) and 19(b) to the consolidated financial statements.</i></p> <p>At 31 December 2022, 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 with significant unobservable inputs.</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</p> <p><i>Refer to Notes 2(i), 3(iii) and 37 to the consolidated financial statements.</i></p> <p>As at 31 December 2022, the Group's balance sheet included goodwill of \$5 billion. The goodwill is allocated to the respective CGUs defined by the Group's operating 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 and goodwill allocation to the CGUs; • evaluated the forecasting process by reviewing historical achievement of projections; • assessed the reasonableness of key assumptions used in the forecasts, including 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>

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.
- 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

22 February 2023

Income Statements

for the financial year ended 31 December 2022

In \$ millions	The Group		The Bank	
	2022	2021	2022	2021
Interest income	12,862	8,204	9,494	5,106
Less: Interest expense	4,519	1,816	3,610	938
Net interest income	8,343	6,388	5,884	4,168
Net fee and commission income	2,143	2,357	1,538	1,730
Dividend income	40	40	110	262
Rental income	110	105	85	81
Net trading income	1,064	569	781	364
Net (loss)/gain from investment securities	(235)	216	(85)	77
Other income	110	114	308	267
Non-interest income	3,232	3,401	2,737	2,781
Total operating income	11,575	9,789	8,621	6,949
Less: Staff costs	3,001	2,602	1,969	1,641
Other operating expenses	2,280	1,711	1,399	1,118
Total operating expenses	5,281	4,313	3,368	2,759
Operating profit before allowance and amortisation	6,294	5,476	5,253	4,190
Less: Amortisation of intangible assets	3	-	-	-
Allowance for credit and other losses	603	657	360	121
Operating profit after allowance and amortisation	5,688	4,819	4,893	4,069
Share of profit of associates and joint ventures	97	118	-	-
Profit before tax	5,785	4,937	4,893	4,069
Less: Tax	1,202	850	856	615
Profit for the financial year	4,583	4,087	4,037	3,454
Attributable to:				
Equity holders of the Bank	4,573	4,075	4,037	3,454
Non-controlling interests	10	12	-	-
	4,583	4,087	4,037	3,454
Earnings per share (\$)				
Basic	2.69	2.39		
Diluted	2.68	2.38		

Statements of Comprehensive Income

for the financial year ended 31 December 2022

In \$ millions	The Group		The Bank	
	2022	2021	2022	2021
Profit for the financial year	4,583	4,087	4,037	3,454
Other comprehensive income that will not be reclassified to income statement				
Net (loss)/gain on equity instruments at fair value through other comprehensive income	(263)	101	(252)	54
Fair value changes on financial liabilities designated at fair value due to the Bank's own credit risk	(3)	3	#	3
Remeasurement of defined benefit obligation	5	5	#	#
Related tax on items at fair value through other comprehensive income	11	(9)	8	(7)
	(250)	100	(244)	50
Other comprehensive income that may be subsequently reclassified to income statement				
Currency translation adjustments	(798)	(170)	(75)	(8)
Net (loss)/gain on debt instruments classified at fair value through other comprehensive income and cashflow hedge:				
Net valuation taken to equity	(1,338)	(535)	(1,196)	(346)
Transferred to income statement	98	(53)	124	(47)
Change in allowance for expected credit losses	(16)	8	(13)	8
Related tax	66	53	33	9
	(1,988)	(697)	(1,127)	(384)
Change in share of other comprehensive income of associates and joint ventures	1	10	-	-
Other comprehensive income for the financial year, net of tax	(2,237)	(587)	(1,371)	(334)
Total comprehensive income for the financial year, net of tax	2,346	3,500	2,666	3,120
Attributable to:				
Equity holders of the Bank	2,352	3,485	2,666	3,120
Non-controlling interests	(6)	15	-	-
	2,346	3,500	2,666	3,120

Amount less than \$500,000

Balance Sheets

as at 31 December 2022

In \$ millions	The Group		The Bank	
	2022	2021	2022	2021
Equity				
Share capital and other capital	7,855	7,391	7,855	7,391
Retained earnings	28,925	26,431	21,192	19,224
Other reserves	6,586	8,811	8,084	9,468
Equity attributable to equity holders of the Bank	43,366	42,633	37,131	36,083
Non-controlling interests	240	228	–	–
Total equity	43,606	42,861	37,131	36,083
Liabilities				
Deposits and balances of:				
Banks	24,537	15,561	20,572	13,169
Customers	368,553	352,633	289,024	277,193
Subsidiaries	–	–	17,130	16,070
Bills and drafts payable	788	977	622	799
Derivative financial liabilities	16,218	5,172	14,669	4,161
Other liabilities	8,803	7,069	5,948	5,547
Tax payable	802	563	650	444
Deferred tax liabilities	360	431	239	269
Debts issued	40,593	34,056	38,320	32,781
Total liabilities	460,654	416,462	387,174	350,433
Total equity and liabilities	504,260	459,323	424,305	386,516
Assets				
Cash, balances and placements with central banks	49,419	36,558	43,549	28,356
Singapore government treasury bills and securities	12,056	7,426	12,056	7,424
Other government treasury bills and securities	19,822	14,898	7,802	5,147
Trading securities	4,606	5,788	3,642	4,990
Placements and balances with banks	35,410	38,916	24,917	28,176
Loans to customers	315,355	306,713	245,859	243,608
Placements with and advances to subsidiaries	–	–	22,985	23,948
Derivative financial assets	13,802	5,362	12,463	4,251
Investment securities	35,183	29,068	32,163	24,556
Other assets	7,690	4,683	5,246	2,963
Deferred tax assets	560	510	121	126
Investment in associates and joint ventures	1,258	1,245	309	309
Investment in subsidiaries	–	–	6,671	6,291
Investment properties	746	829	749	902
Fixed assets	3,453	3,182	2,591	2,287
Intangible assets	4,900	4,145	3,182	3,182
Total assets	504,260	459,323	424,305	386,516

Capital Adequacy Ratios

The Group is subject to the Basel III capital adequacy standards, as prescribed in the MAS Notice 637.

In \$ millions	The Group	
	2022	2021
Common Equity Tier 1 capital (CET1)	34,405	34,935
Additional Tier 1 capital	2,780	2,379
Tier 1 capital	37,185	37,314
Tier 2 capital	6,179	5,761
Eligible total capital	43,364	43,075
Risk-weighted assets (RWA)	259,098	259,067
Capital adequacy ratios (CAR) (%)		
CET1	13.3	13.5
Tier 1	14.4	14.4
Total	16.7	16.6



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