

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNITED OVERSEAS BANK LIMITED (CONT'D)

### 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   |
|---|--|
| <i>Expected credit loss on non-impaired credit exposures</i><br>Refer to Notes 2d(vi), 2s(i), 11, 20(b), 26(b), 27(d) and 29(b) to the consolidated financial statements.<br>The Group's expected credit loss (ECL) calculation involves significant judgements and estimates. Areas we have identified with greater levels of management judgement are: <ul style="list-style-type: none"><li>the selection of economic scenarios and corresponding probability weightages applied;</li><li>the significant increase in credit risk (SICR) determination criteria;</li><li>the model assumptions; and</li><li>the adjustments to the model-driven ECL results to address model limitations or emerging trends.</li></ul>   | We assessed the design and tested the operating effectiveness of the key manual or automated controls over the Group's ECL computation processes with a focus on: <ul style="list-style-type: none"><li>the validation of models;</li><li>the selection and implementation of economic scenarios and probabilities;</li><li>the staging of credit exposures based on the Group's SICR criteria; and</li><li>the governance over post model adjustments.</li></ul> We involved our internal specialists to assist us in performing the following procedures for a sample of portfolios: <ul style="list-style-type: none"><li>independently reviewed the model validation results;</li><li>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 checking the accuracy of the PD, LGD and EAD used in the computations to derive the ECL amount for a sample of exposures; and</li><li>reviewed the Bank's assessment of SICR.</li></ul> We also reviewed the Group's approach for determining the base and stress economic scenario to assess the reasonableness of the economic scenarios and corresponding probabilities applied by the Group, and we inspected the Group's SFRS(I) 9 Work Group's decisions in assessing the appropriateness of management's rationale for the post-model adjustments and performed a recalculation, where applicable. |
| <i>Stage 3 expected credit loss for credit impaired loans to customers</i><br>Refer to Notes 2d(vii), 2s(i), 11 and 27(d) to the consolidated financial statements.<br><br><i>Stage 3 expected credit loss (ECL) for loans to customers is considered to be a matter of significance as it requires the application of judgement and use of subjective assumptions by management.</i><br><br><i>For Group Wholesale Banking's loan portfolio, management is required to monitor borrowers' repayment abilities individually based on their knowledge for any allowance for impairment</i>   | We assessed the design and operating effectiveness of the key controls over the Stage 3 ECL estimation <ul style="list-style-type: none"><li>obtained an understanding of the Group's Credit Policy and evaluated the processes for identifying impairment indicators and consequently, the grading of loans;</li><li>reviewed the Group Credit Committee meeting minutes;</li><li>considered the magnitude of the credit exposures, macroeconomic factors and industry trends in our audit sampling, and focused our audit coverage over customers that are assessed to be of higher risk; and</li><li>assessed, for a sample of impaired loans:<ul style="list-style-type: none"><li>management's forecast and inputs of recoverable cash flows, valuation of collaterals, estimates of recoverable amounts on default and other sources of repayment, and where possible, compared these key assumptions to external evidence such as valuation reports;</li><li>whether impairment events had occurred and whether impairments had been identified in a timely manner.</li></ul></li></ul> Overall, the results of our evaluation of the Group's Stage 3 ECL for loans to customers were within a reasonable range of expectations.  |
| <i>Valuation of illiquid or complex financial instruments</i><br>Refer to Notes 2d(i), 2s(ii) and 18(b) to the consolidated financial statements.<br>As at 31 December 2019, 7% (\$6 billion) of the Group's total financial instruments that were carried at fair value were classified as Level 3. The Level 3 instruments mainly comprised unquoted equity investments and funds, unquoted debt securities, long dated equity derivatives, and callable interest rate swaps.<br>The valuation of Level 3 financial instruments was a key area of focus of our audit due to the degree of complexity involved in valuing certain instruments and the significance of the judgements and estimates made by management.<br>The determination of Level 3 prices is considerably more subjective given the lack of availability of market-based data. | We assessed the design and tested the operating effectiveness of the key controls over the Group's Level 3 financial instruments valuation processes. This included the controls over model validation, pricing inputs and price verification. The results of our tests allowed us to rely on these controls for our audit.<br><br>With the assistance of our internal 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.<br><br>The results of our assessment of the Group's valuation of illiquid or complex financial instruments were within the range of expected outcomes.  |
| <i>Impairment of goodwill</i><br>Refer to Notes 2s, 2s(iii) and 36 to the consolidated financial statements.<br>As at 31 December 2019, the Group's balance sheet included goodwill of \$4 billion arising from the Group's acquisition of Overseas Union Bank (OUB), United Overseas Bank (Thailand) Public Company Limited (UOBTH) and PT Bank UOB Indonesia (UOBIN) in prior years. The goodwill is allocated to the respective cash-generating units (CGUs) defined by the Group's operating segments.<br><br>We focused on this area because the 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.  | Our audit procedures focused on the following key assumptions used in the goodwill impairment tests: <ul style="list-style-type: none"><li>cash flow projections;</li><li>growth rates; and</li><li>discount rates.</li></ul> We assessed the reasonableness of the cash flow projections by reviewing historical achievement of the projections and the basis supporting the growth projections and considered the reasons for significant deviations.<br>We assessed the methodologies and assumptions used to compute the VIU of each CGU with the support of our internal specialists. Key market-related assumptions such as the long-term growth rates and discount rates were benchmarked against external industry and economic data.<br>We also performed sensitivity analyses to determine the impact of a reasonably possible change in the key assumptions to the VIU calculations to identify any CGUs with a risk of impairment.<br>Based on our audit procedures, the results of the goodwill impairment tests performed by management were within a reasonable range of expectations.  |

### 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 to 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 Christine Lee.

### ERNST & YOUNG LLP

Public Accountants and Chartered Accountants

Singapore

20 February 2020

# The page numbers are as stated in the Independent Auditor's Report dated 20 February 2020 in the UOB Annual Report 2019.

## Brunei Darussalam Branches (Registered in Brunei Darussalam as a Company incorporated outside Brunei Darussalam) Co. Reg. No. 193500026Z

### STATEMENT OF FINANCIAL POSITION

#### As at 31 December 2019

|  | 31-Dec-2019<br>B\$'000 | 31-Dec-2018<br>B\$'000 | Change<br>%  |
|--|------------------------|------------------------|--------------|
| <b>ASSETS</b>  |                        |                        |              |
| Cash and Short Term Funds                            | 1,326                  | 1,281                  | 3.51         |
| Balances with Autoriti Monetari Brunei Darussalam    | 24,712                 | 15,642                 | 57.98        |
| Government Sukuk                                     | 12,452                 | 22,388                 | (44.38)      |
| Loans and advances                                   | 84,050                 | 87,913                 | (4.39)       |
| Group balances receivable                            | 172,976                | 134,342                | 28.76        |
| Plant and equipment                                  | 327                    | 191                    | 71.20        |
| Other assets   | 2,208                  | 586                    | 276.79       |
| Deferred tax asset                                   | 189                    | 189                    | -            |
| <b>Total Assets</b>                                  | <b>298,240</b>         | <b>262,532</b>         | <b>13.60</b> |
| <b>LIABILITIES AND CAPITAL FUNDS</b>                 |                        |                        |              |
| Deposits from customers                              | 193,992                | 164,883                | 17.65        |
| Deposits from banks and other financial institutions | 2,995                  | 2,910                  | 2.92         |
| Group balances payable                               | 5,462                  | 4,027                  | 35.63        |
| Other liabilities                                    | 1,874                  | 1,345                  | 39.33        |
| Taxation   | 330                    | -                      | 100.00       |
| <b>Total Liabilities</b>                             | <b>204,653</b>         | <b>173,165</b>         | <b>18.18</b> |
| <b>EQUITY</b>  |                        |                        |              |
| Assigned Capital                                     | 30,000                 | 30,000                 | -            |
| Statutory Reserve Fund                               | 30,114                 | 28,004                 | 7.53         |
| Prudential Reserve                                   | -                      | 755                    | (100.00)     |
| Retained Profits                                     | 33,473                 | 30,608                 | 9.36         |
| <b>Total Equity</b>                                  | <b>93,587</b>          | <b>89,367</b>          | <b>4.72</b>  |
| <b>Total Liabilities and Equity</b>                  | <b>298,240</b>         | <b>262,532</b>         | <b>13.60</b> |

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

#### For the financial year ended 31 December 2019

|   | 2019<br>B\$'000 | 2018<br>B\$'000 | Change<br>%   |
|---|-----------------|-----------------|---------------|
| Interest income   | 7,967           | 8,140           | (2.13)        |
| Less: Interest expense  | (1,748)         | (1,272)         | 37.42         |
| <b>Net interest income</b>                                      | <b>6,219</b>    | <b>6,868</b>    | <b>(9.45)</b> |
| Fee income  | 1,131           | 970             | 16.60         |
| Net trading income  | 259             | 287             | (9.76)        |
| Other operating income  | 133             | 136             | (2.21)        |
| <b>Total operating income</b>                                   | <b>7,742</b>    | <b>8,261</b>    | <b>(6.28)</b> |
| <b>Less:</b>  |                 |                 |               |
| Personnel expenses  | (2,565)         | (2,555)         | 0.39          |
| Management fees   | (10)            | (12)            | (16.67)       |
| Other overhead expenses   | (1,356)         | (1,366)         | (0.73)        |
| Operating profit before impairment charges                      | 3,811           | 4,328           | (11.95)       |
| Allowance for impairment  | 739             | (3,869)         | 119.10        |
| <b>Profit before income tax</b>                                 | <b>4,550</b>    | <b>459</b>      | <b>891.29</b> |
| Income tax expense  | (330)           | -               | 100.00        |
| <b>Profit after income tax</b>                                  | <b>4,220</b>    | <b>459</b>      | <b>819.39</b> |
| Other comprehensive income                                      | -               | -               | -             |
| <b>Profit/Total comprehensive income for the financial year</b> | <b>4,220</b>    | <b>459</b>      | <b>819.39</b> |

### STATEMENT OF CHANGES IN EQUITY/HEAD OFFICE ACCOUNT

#### As at 31 December 2019

|   | Assigned<br>capital<br>B\$'000 | Statutory<br>reserve fund<br>B\$'000 | Retained<br>profits<br>B\$'000 | Prudential<br>Reserve<br>B\$'000 | Total<br>B\$'000 |
|---|--------------------------------|--------------------------------------|--------------------------------|----------------------------------|------------------|
| Balance as at 1 <sup>st</sup> January 2018 as previously reported | 30,000                         | 26,266                               | 29,625                         | -                                | 85,891           |
| Adoption of IFRS 9 (net of tax)                                   | -                              | -                                    | 3,017                          | -                                | 3,017            |
| Transfer to Statutory reserve                                     | -                              | 1,509                                | (1,509)                        | -                                | -                |
| <b>Restated balance at 1<sup>st</sup> January 2018</b>            | <b>30,000</b>                  | <b>27,775</b>                        | <b>31,133</b>                  | <b>-</b>                         | <b>88,908</b>    |
| Profit/Total other comprehensive income for the financial year    | -                              | -                                    | 459                            | -                                | 459              |
| Transfer to Prudential reserve for credit losses                  | -                              | -                                    | (755)                          | 755                              | -                |
| Transfer to statutory reserve                                     | -                              | 229                                  | (229)                          | -                                | -                |
| <b>Balance as at 31<sup>st</sup> December 2018</b>                | <b>30,000</b>                  | <b>28,004</b>                        | <b>30,608</b>                  | <b>775</b>                       | <b>89,367</b>    |
| <b>Balance as at 1<sup>st</sup> January 2019</b>                  | <b>30,000</b>                  | <b>28,004</b>                        | <b>30,608</b>                  | <b>775</b>                       | <b>89,367</b>    |
| Profit/Total other comprehensive income for the financial year    | -                              | -                                    | 4,220                          | -                                | 4,220            |
| Transfer from Prudential reserve for credit losses                | -                              | -                                    | 755                            | (755)                            | -                |
| Transfer to statutory reserve                                     | -                              | 2,110                                | (2,110)                        | -                                | -                |
| <b>Balance as at 31<sup>st</sup> December 2019</b>                | <b>30,000</b>                  | <b>30,114</b>                        | <b>33,473</b>                  | <b>-</b>                         | <b>93,587</b>    |

### STATEMENT OF CASH FLOWS

#### For the financial year ended 31 December 2019

|   | 2019<br>B\$'000 | 2018<br>B\$'000 |
|---|-----------------|-----------------|
| <b>Cash flows from operating activities</b>                   | <b>4,550</b>    | <b>459</b>      |
| Profit before income tax                                      |                 |                 |
| Adjustments for:  |                 |                 |
| - Depreciation  | 211             | 68              |
| - Expected credit losses                                      | (632)           | (264)           |
| - Interest on lease liabilities                               | 10              | -               |
| Changes in:   |                 |                 |
| - Balances with Autoriti Monetari Brunei Darussalam           | (1,803)         | 1,771           |
| - Loans and advances  | 4,388           | 9,027           |
| - Other assets  | (1,618)         | 727             |
| - Deposits from customers                                     | 29109           | (40,366)        |
| - Deposits from banks and other financial institutions        | 85              | (79)            |
| - Group balances payable                                      | 1,435           | 1,140           |
| - Other liabilities   | 399             | (755)           |
| Income tax paid   | -               | (74)            |
| <b>Net cash (used in)/generated from operating activities</b> | <b>36,134</b>   | <b>(28,346)</b> |
| <b>Cash flow from investing activities</b>                    |                 |                 |
| (Acquisition)/Sale of Government Sukuk, net                   | 10,000          | (10,000)        |
| Acquisition of plant and equipment                            | (48)            | (29)            |
| <b>Net cash (used in)/from investing activities</b>           | <b>9,952</b>    | <b>(10,029)</b> |
| <b>Cash flow from financing activities</b>                    |                 |                 |
| Payment of principal portion of lease liabilities             | (130)           | -               |
| Payment of interest portion of lease liabilities              | (10)            | -               |
| <b>Net cash used in financing activities</b>                  | <b>(140)</b>    | <b>-</b>        |

#### Net (decrease)/increase in cash and cash equivalents

|   |                |                |
|---|----------------|----------------|
| Cash and cash equivalents at beginning of year  | 45,946         | (38,375)       |
| <b>Cash and cash equivalents at end of year</b> | <b>140,918</b> | <b>179,293</b> |

### CERTIFICATION:

We, the undersigned, being the Country Manager and the Finance Manager of United Overseas Bank Limited (Brunei Darussalam Branch) certify jointly that: a) the above accounts and statements are properly drawn up in accordance to the provisions of the Brunei Darussalam Companies Act and International Financial Reporting Standards; and b) The information contained in these statements has been extracted from the annual audited financial accounts and statements.

**Abdul Razak Abdul Malek**  
Country Manager  
Date: 30<sup>th</sup> March 2020

**Alister Yong Khong Lok**  
Finance Manager  
Date: 30<sup>th</sup> March 2020

### [EXTRACT OF THE INDEPENDENT AUDITOR'S REPORTS]

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

We have audited the financial statements of United Overseas Bank Limited, Brunei Darussalam Branch ("Branch") for the year ended 31 December 2019, from which the attached summarised financial information comprising the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity/head office account and statement of cash flows have been extracted, in accordance with International Standards on Auditing. In our report dated 30 March 2020, we expressed an unqualified opinion on those financial statements.

In our opinion, the summarised financial information is consistent, in all material aspects, with the financial statements from which it was extracted.

The summarised financial information does not constitute the Branch's statutory financial statements for the year ended 31 December 2019. For a better understanding of the Branch's financial position and the results of its operations for the period and of the scope of our audit, the summarised financial information should be read in conjunction with the financial statements from which the summarised financial information was extracted and our audit report thereon.

ERNST & YOUNG  
Public Accountants

Kong Ee Pin  
Registered Public Accountant  
Date: 30 March 2020

Note: The full set of audited financial statement will be made available in hard copy at Bank, upon request, within one week after publication in the newspaper