

NEWS RELEASE

To : All Shareholders

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

1. Audited income statement for the year ended 31 December 2019

	<u>2019</u> \$'000	<u>2018</u> \$'000	<u>Incr/ (Decr)</u> %
(a) Gross premium written	<u>105,943</u>	<u>103,258</u>	2.6
Net earned premium	42,348	41,392	2.3
Net claims incurred	(10,943)	(9,457)	15.7
Net commission	7,441	5,723	30.0
Management expenses :			
Staff cost	(8,672)	(8,135)	6.6
Rental expenses	-	(1,306)	(100.0)
Depreciation	(1,413)	(94)	NM
Foreign exchange (loss)/gain	(43)	29	(248.3)
Other operating expenses	(4,275)	(3,657)	16.9
Underwriting profit	<u>24,443</u>	<u>24,495</u>	(0.2)
Gross dividends from investments	7,744	3,704	109.1
Interest income from investments	8,617	7,925	8.7
Interest on fixed deposits and bank balances	851	387	119.9
Net losses on disposal of fixed assets	(1)	-	NM
Net (provision)/write-back of expected credit loss on investments	(73)	64	(214.1)
Amortisation of premium on debt securities	(243)	(49)	395.9
Miscellaneous income	312	151	106.6
Net (losses)/gains on interest rate futures - realised	(3,008)	125	NM
Net gains/(losses) on interest rate futures - unrealised	882	(882)	(200.0)
Net fair value losses on mandatorily measured at fair value through profit or loss (FVTPL) investments - unrealised	(3,697)	(5,980)	(38.2)
Net gains/(losses) on disposal of FVTPL investments	12,461	(1,003)	NM
Net gains/(losses) on disposal of fair value through other comprehensive income (FVOCI) investments	918	(482)	(290.5)
Net fair value gains/(losses) on financial derivatives - realised	1,073	(3,235)	(133.2)
Net fair value gains/(losses) on financial derivatives - unrealised	1,019	(1,204)	(184.6)
Exchange (losses)/gains	(3,121)	3,389	(192.1)
	<u>(1,029)</u>	<u>(1,050)</u>	(2.0)
Management expenses not charged to insurance revenue account:			
Management fees	(1,171)	(1,058)	10.7
Other operating expenses	(749)	(559)	34.0
Non-underwriting income	<u>21,814</u>	<u>1,293</u>	1,587.1
Profit before tax	46,257	25,788	79.4
Tax expense	(5,865)	(1,957)	199.7
Profit after tax	<u>40,392</u>	<u>23,831</u>	69.5
Profit attributable to equity holders of the Company	<u>40,392</u>	<u>23,831</u>	69.5

Note : NM = Not Meaningful

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1. Audited income statement for the year ended 31 December 2019 (cont'd)

	<u>2019</u> \$'000	<u>2018</u> \$'000	Incr/ (Decr) %
(b) Gross premium income			
6 months ended 30 June	58,458	56,725	3.1
6 months ended 31 December	47,485	46,533	2.0
Total for the year	<u>105,943</u>	<u>103,258</u>	2.6
(c) Net profit after tax			
6 months ended 30 June	19,791	11,415	73.4
6 months ended 31 December	20,601	12,416	65.9
Total for the year	<u>40,392</u>	<u>23,831</u>	69.5
(d) Earnings per share :			
Basic and diluted (cents)	<u>66.05</u>	<u>38.97</u>	69.5

2. Audited statement of comprehensive income for the year ended 31 December 2019

	<u>2019</u> \$'000	<u>2018</u> \$'000	Incr/ (Decr) %
Net profit	40,392	23,831	69.5
Other comprehensive income :			
Items that will not be reclassified to profit or loss :			
Net fair value gain/(loss) on equity securities at FVOCI	6,288	(1,214)	NM
Tax related to the above	<u>(1,108)</u>	206	NM
	<u>5,180</u>	<u>(1,008)</u>	NM
Items that may be reclassified subsequently to profit or loss :			
Debt securities at FVOCI			
Changes in fair value	10,156	(6,640)	(253.0)
Transfer to profit or loss on disposal	(918)	482	(290.5)
Changes in allowance for expected credit losses	73	(64)	(214.1)
Tax related to the above	<u>(1,531)</u>	1,058	(244.7)
	<u>7,780</u>	<u>(5,164)</u>	(250.7)
Other comprehensive income for the financial year, net of tax	<u>12,960</u>	<u>(6,172)</u>	(310.0)
Total comprehensive income for the financial year	<u>53,352</u>	<u>17,659</u>	202.1
Total comprehensive income attributable to equity holders of the Company	<u>53,352</u>	<u>17,659</u>	202.1

Note : NM = Not Meaningful

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3. **Audited statement of financial position**

	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
(a) Share capital - Issued and fully paid	91,733	91,733
Reserves	<u>326,539</u>	<u>286,641</u>
	<u>418,272</u>	<u>378,374</u>
Liabilities		
Insurance creditors	10,780	15,516
Non-trade creditors and accrued liabilities	6,557	5,706
Lease liabilities	2,368	-
Amount owing to related companies	640	566
Derivative financial liabilities	84	882
Tax payable	7,210	6,562
Deferred tax liabilities	10,009	7,355
Deferred acquisition cost - reinsurers' share	9,424	9,470
Gross technical balances		
- Reserve for unexpired risks	56,473	56,170
- Reserve for outstanding claims	<u>113,847</u>	<u>130,123</u>
	<u>217,392</u>	<u>232,350</u>
	<u>635,664</u>	<u>610,724</u>
Assets		
Bank balances and fixed deposits	92,965	63,895
Insurance debtors	16,827	11,310
Non-trade debtors and accrued interest receivables	8,905	4,114
Derivative financial assets	1,748	645
Associated company	1	1
Investments	404,167	408,828
Fixed assets	825	203
Right-of-use assets	2,556	-
Deferred acquisition cost - gross	8,439	8,175
Reinsurers' share of technical balances		
- Reserve for unexpired risks	34,264	35,183
- Reserve for outstanding claims	<u>64,967</u>	<u>78,370</u>
	<u>635,664</u>	<u>610,724</u>
	<u>635,664</u>	<u>610,724</u>
(b) Net asset value per share (S\$)	6.84	6.19
Number of shares issued ('000)	61,155	61,155

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4. **Audited statement of changes in equity**

	Share capital \$'000	General reserve \$'000	Revaluation on investment reserve \$'000	Retained profits \$'000	Total \$'000
Balance at 1 January 2019	91,733	22,880	34,523	229,238	378,374
Profit net of tax	-	-	-	40,392	40,392
Other comprehensive income for the financial year, net of tax	-	-	12,960	-	12,960
Total comprehensive income for the financial year, net of tax	-	-	12,960	40,392	53,352
Transfer of fair value reserves of equity securities at FVOCI upon disposal, net of tax	-	-	(120)	120	-
Dividend for Year 2018	-	-	-	(8,256)	(8,256)
Dividend for Year 2019	-	-	-	(5,198)	(5,198)
Balance at 31 December 2019	91,733	22,880	47,363	256,296	418,272
Balance at 1 January 2018	91,733	22,880	49,717	213,250	377,580
- as previously reported	-	-	(9,616)	9,569	(47)
- effect of adopting SFRS(I) 9	91,733	22,880	40,101	222,819	377,533
- as restated	-	-	-	23,831	23,831
Profit net of tax	-	-	-	23,831	23,831
Other comprehensive income for the financial year, net of tax	-	-	(6,172)	-	(6,172)
Total comprehensive income for the financial year, net of tax	-	-	(6,172)	23,831	17,659
Transfer of fair value reserves of equity securities at FVOCI upon disposal, net of tax	-	-	594	(594)	-
Dividend for Year 2017	-	-	-	(11,620)	(11,620)
Dividend for Year 2018	-	-	-	(5,198)	(5,198)
Balance at 31 December 2018	91,733	22,880	34,523	229,238	378,374

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5. Audited statement of cash flows

	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Cash flows from operating activities		
Profit before tax	46,257	25,788
Adjustments for:		
Movement in net reserve for unexpired risks	1,222	(804)
Movement in net deferred acquisition costs	(310)	15
Movement in net reserve for outstanding claims	(2,873)	(6,028)
Net fair value (gains)/losses on financial derivatives-unrealised	(1,019)	1,204
(Gains)/losses on interest rate futures-unrealised	(882)	882
Net fair value losses on FVTPL investments - unrealised	3,697	5,980
Depreciation	1,413	94
Interest paid	69	-
Net (gains)/losses on disposal FVTPL investments	(12,461)	1,003
Net (gains)/losses on disposal FVOCI investments	(918)	482
Net losses on disposal of fixed assets	1	-
Amortisation of premium on investments	243	49
Provision/(write-back) of expected credit loss on investments	73	(64)
Gross dividends from investments	(7,744)	(3,704)
Interest income from investments	(8,617)	(7,925)
Interest on fixed deposits and bank balances	(851)	(387)
Exchange losses/(gains)	2,962	(3,408)
Operating profit before working capital changes	<u>20,262</u>	<u>13,177</u>
Changes in working capital:		
Trade and other receivables	(9,980)	(647)
Trade and other payables	(4,212)	1,793
Amount owing to related companies	74	(1,402)
Cash generated from operations	<u>6,144</u>	<u>12,921</u>
Tax paid	(5,202)	(5,365)
Interest paid	(69)	-
Net cash flow from operating activities	<u>873</u>	<u>7,556</u>
Cash flows from investing activities		
Proceeds from disposal of investments	345,369	77,654
Purchase of investments	(318,705)	(70,875)
Purchase of fixed assets	(715)	(50)
(Placement in)/proceed from long-term fixed deposits	(4)	6,163
Gross dividends from investments	7,716	3,706
Interest income from investments	8,340	7,883
Interest on fixed deposits and bank balances	828	387
Net cash flow from investing activities	<u>42,829</u>	<u>24,868</u>
Cash flow from financing activity		
Leases Paid	(1,182)	-
Dividend paid	(13,454)	(16,818)
Cash flow used in financing activity	<u>(14,636)</u>	<u>(16,818)</u>
Net increase in cash and cash equivalents	<u>29,066</u>	<u>15,606</u>
Cash and cash equivalents at beginning of year	<u>61,466</u>	<u>45,860</u>
Cash and cash equivalents at end of year	<u>90,532</u>	<u>61,466</u>

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5. Audited statement of cash flows (cont'd)

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following :

	<u>2019</u> \$'000	<u>2018</u> \$'000
Cash and bank balances	16,679	16,165
Fixed deposits placement less than 3 months	73,853	45,301
Cash and cash equivalents	<u>90,532</u>	<u>61,466</u>
Fixed deposits placement more than 3 months	2,433	2,429
	<u><u>92,965</u></u>	<u><u>63,895</u></u>

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6. Segment information

	<u>SIF</u> \$'000	<u>OIF</u> \$'000	<u>SHF</u> \$'000	<u>Total</u> \$'000
<u>For Year 2019</u>				
Gross premium written	77,625	28,318	-	105,943
Net earned premium	29,456	12,892	-	42,348
Net claims incurred	(3,157)	(7,786)	-	(10,943)
Net commission	7,971	(530)	-	7,441
Management expenses	(11,730)	(2,673)	-	(14,403)
Underwriting profit	22,540	1,903	-	24,443
Gross dividends from investments	1,432	276	6,036	7,744
Interest income from investments	4,675	1,022	2,920	8,617
Interest on fixed deposits and bank balances	471	183	197	851
Net losses on disposal of fixed assets	(1)	-	-	(1)
Net fair value losses on financial derivatives	(42)	(25)	33	(34)
Net fair value losses on FVTPL investments - unrealised	(2,176)	(558)	(963)	(3,697)
Exchange losses	(1,692)	(344)	(1,085)	(3,121)
Net gains on disposal of FVTPL investments	6,866	1,783	3,812	12,461
Net gains on disposal of FVOCI investments	463	181	274	918
Other (expenses)/income	146	(39)	(111)	(4)
Miscellaneous management expenses not included in insurance revenue account - net	(724)	(158)	(1,038)	(1,920)
Profit before tax	31,958	4,224	10,075	46,257
Tax expense	(4,836)	(277)	(752)	(5,865)
Profit after tax	27,122	3,947	9,323	40,392
Segment total assets as at 31 December 2019	347,018	87,695	200,951	635,664
Segment total liabilities as at 31 December 2019	162,984	44,233	10,175	217,392
<u>For Year 2018</u>				
Gross premium written	78,589	24,669	-	103,258
Net earned premium	29,396	11,996	-	41,392
Net claims incurred	(2,946)	(6,511)	-	(9,457)
Net commission	6,251	(528)	-	5,723
Management expenses	(10,688)	(2,475)	-	(13,163)
Underwriting profit	22,013	2,482	-	24,495
Gross dividends from investments	1,331	256	2,117	3,704
Interest income from investments	4,299	937	2,689	7,925
Interest on fixed deposits and bank balances	182	138	67	387
Net fair value losses on financial derivatives	(2,822)	(623)	(1,751)	(5,196)
Net fair value losses on FVTPL investments - unrealised	(3,174)	(721)	(2,085)	(5,980)
Exchange gains	1,817	422	1,150	3,389
Net losses on disposal of FVTPL investments	(623)	(66)	(314)	(1,003)
Net losses on disposal of FVOCI investments	(240)	(77)	(165)	(482)
Other income	168	(9)	7	166
Miscellaneous management expenses not included in insurance revenue account - net	(645)	(136)	(836)	(1,617)
Profit before tax	22,306	2,603	879	25,788
Tax expense	(1,462)	69	(564)	(1,957)
Profit after tax	20,844	2,672	315	23,831
Segment total assets as at 31 December 2018	346,259	77,880	186,585	610,724
Segment total liabilities as at 31 December 2018	185,302	38,337	8,711	232,350

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6. Segment information (cont'd)

The Company is principally engaged in the business of underwriting general insurance. As the Company has different operating segments, its businesses are segregated into separate fund accounts in accordance with the requirements of the Singapore Insurance Act (Chapter 142).

As required under the Singapore Insurance Act, the Company has established and maintained a Singapore Insurance Fund (SIF) for insurance business relating to Singapore policies and an Offshore Insurance Fund (OIF) for insurance business relating to offshore policies. Shareholders' Fund (SHF) relates to the Company's investment activities of its non-insurance funds.

The segment information has been prepared in accordance with the Company's accounting policy and Singapore Financial Reporting Standards (International) ("SFRS(I)").

Information about major external customer

For the year ended 31 December 2019 and the preceding period, the Company did not have any external customer whose premium income exceeded 10% of the Company's total revenue.

Geographical information

Geographical information of the Company's revenue derived from external customers based on location of insurance risks and non-current assets are as follows:

	Revenue for		Non-current assets as at	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	\$'000	\$'000	\$'000	\$'000
Singapore	80,724	81,181	3,381	203
Asean	17,823	16,574	-	-
Others	7,396	5,503	-	-
	<u>105,943</u>	<u>103,258</u>	<u>3,381</u>	<u>203</u>

The Company's non-current assets presented above consist of fixed assets and right-of-use assets.

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7. Review of performance

Highlights and Performance Indicators

Selected Financial Items	2019 \$'000	2018 \$'000	Incr/ (Decr) %	4th Qtr 2019 \$'000	4th Qtr 2018 \$'000	Incr/ (Decr) %
Gross premium written	105,943	103,258	+ 2.6	22,573	23,515	- 4.0
Net earned premium	42,348	41,392	+ 2.3	12,064	11,239	+ 7.3
Net claims incurred	(10,943)	(9,457)	+ 15.7	(1,270)	811	- 256.6
Net commission	7,441	5,723	+ 30.0	5,536	4,586	+ 20.7
Management expenses	(14,403)	(13,163)	+ 9.4	(4,143)	(3,294)	+ 25.8
Underwriting profit	24,443	24,495	- 0.2	12,187	13,342	- 8.7
Non-underwriting income /(loss)	21,814	1,293	+ 1,587.1	2,984	(8,357)	- 135.7
Profit before tax	46,257	25,788	+ 79.4	15,171	4,985	+ 204.3
Profit after tax	40,392	23,831	+ 69.5	14,275	6,397	+ 123.2
Other comprehensive income, net of tax	12,960	(6,172)	- 310.0	(1,850)	(5,852)	- 68.4
Total comprehensive income	53,352	17,659	+ 202.1	12,425	545	NM
Net asset value per share (\$)	6.84	6.19	+ 10.5	6.84	6.19	+ 10.5

Financial Ratios	2019 %	2018 %	Incr/ (Decr) % - point	4th Qtr 2019 %	4th Qtr 2018 %	Incr/ (Decr) % - point
Net incurred loss ratio ⁽¹⁾	25.8	22.8	+ 3.0	10.5	(7.2)	+ 17.7
Net commission ratio ⁽²⁾	(17.6)	(13.8)	- 3.8	(45.9)	(40.8)	- 5.1
Management expenses ratio ⁽³⁾	34.0	31.8	+ 2.2	34.3	29.3	+ 5.0
Underwriting profit ratio ⁽⁴⁾	57.7	59.2	- 1.5	101.0	118.7	- 17.7

NM = Not Meaningful

Note :

- (1) Net incurred loss ratio is computed by dividing net claims incurred by net earned premium.
- (2) Net commission ratio is computed by dividing net commission by net earned premium. When this ratio is in negative, net commission is an income to the Company.
- (3) Management expenses ratio is computed by dividing management expenses for insurance operations by net earned premium.
- (4) Underwriting profit ratio is computed by dividing net underwriting profit by net earned premium.

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7. Review of performance (Cont'd)

Highlights and Performance Indicators

2019 versus 2018

Gross premium increased by \$2.7 million or 2.6% to \$105.9 million. Correspondingly, net earned premium increased by \$1.0 million or 2.3% to \$42.3 million as compared to that of the preceding year. Net claims incurred increased by \$1.5 million or 15.7%. Net commission income increased by \$1.7 million or 30.0% due to higher commission recovery from reinsurers. Management expenses increased by \$1.2 million or 9.4% due to higher staff costs, marketing and technology expenses. Consequently, underwriting profit reduced by 0.2% to \$24.4 million due mainly to higher net claims incurred.

Non-underwriting income increased by \$20.5 million to \$21.8 million as compared to \$1.3 million in the corresponding period last year due mainly to higher dividend income and higher gains from sales of investment.

Overall profit before tax increased by 79.4% to a record \$46.3 million.

As shown in the above table, other comprehensive income, net of tax, which affects the balance sheet and not the profit before tax, was a net unrealised gain of \$13.0 million from investments as compared against a net unrealised loss of \$6.2 million in the corresponding period of last year due to better market sentiment in the current year.

Overall, total comprehensive income was \$53.4 million, an increase of 202.1%, when compared to the corresponding period last year due mainly to higher investment income. Net asset value per share rose to \$6.84 or an increase of 10.5% as against the \$6.19 attained in the same period of last year.

All financial ratios remained stable when compared against the ratios in the comparative period.

4th Quarter 2019 ("4Q19") versus 4th Quarter 2018 ("4Q18")

The gross premium decreased by 4.0% to \$22.6 million. Net earned premium increased by 7.3% to \$12.1 million in 4Q19 as compared to 4Q18 due to the lower premium reserve strain in the current quarter. Net claims incurred increased by \$2.1 million or 256.6% due to an overall write-back of claims in the quarter last year. Net commission income increased by \$1.0 million to \$5.5 million. Management expenses was higher by \$0.8 million or 25.8%. Consequently, underwriting profit in 4Q19 decreased by \$1.2 million or 8.7% to \$12.2 million due to higher net claims incurred.

The Company recorded a non-underwriting income of \$3.0 million as compared against a loss of \$8.4 million in the corresponding quarter last year due to better market sentiment in the current quarter.

Profit before tax for 4Q19 increased by 204.3% to \$15.2 million due mainly to better investment results.

Other comprehensive income for 4Q19 was a loss of \$1.9 million as the market sentiment was affected by the trade tension between the US and China.

Total comprehensive income for 4Q19 was \$12.4 million, an increase of \$11.9 million when compared with the same period last year due mainly to better investment results.

Net incurred loss ratio for 4Q19 was 10.5%, higher than that of 4Q18 by 17.7 percent point as there was a overall write-back of claims in 4Q18. Hence, underwriting profit ratio decreased by 17.7 percent point.

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8. Prospects for the next reporting period and the next 12 months

The constraints of a highly mature and competitive environment in the Singapore market and worsening claims experience arising from extreme climate change and the novel coronavirus will put pressure on earnings. The Company continues to be guided by its time tested underwriting prudence to grow its insurance premiums and underwriting profit. It will remain focused on cross selling initiatives with the parent bank in Singapore and elsewhere in the region as well as developing the intermediary business. More resources and efforts will be committed to the digitalisation of the Company's insurance services and enhancement of customer experience.

The investment markets will still be affected by many uncertainties arising particularly from geopolitics, trade tensions and the threats posed by the spread of the novel coronavirus. Notwithstanding the difficult environment, the Company will continue to monitor its investment strategies and asset allocation to minimise the volatility of its investment income.

9. Accounting policy

The financial statements, expressed in Singapore dollars are prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"). The accounting policies and computation methods adopted in the financial statements for the year ended 31 December 2019 are the same as those adopted in the preceding year except for the adoption of SFRS(I) 16 Leases.

The Company adopted SFRS(I) 16 Leases on 1 January 2019, leading to the recognition of the right-of-use assets of \$3.9 million and lease liabilities of \$3.5 million for its leases previously classified as operating leases as of 1 January 2019. The right-of-use assets included an amount of \$0.4 million pertaining to reinstatement cost.

10. Dividend

The Directors recommend the payment of a final dividend of 8.5 cents per share (one-tier tax-exempt) and a special dividend of 7 cents per share (one-tier tax-exempt) (2018 final dividend: 8.5 cents per share one-tier tax-exempt; special dividend: 5 cents per share one-tier tax-exempt) in respect of the financial year ended 31 December 2019. The increase by 2 cents in the special dividend is due to the exceptional investment returns achieved in financial year 2019.

Together with the interim dividend of 8.5 cents per share paid on 23 August 2019, the total dividend for the financial year ended 31 December 2019 would be 24 cents per share (2018 : 22 cents per share) amounting to a total net dividend payment of \$14.7 million (2018: \$13.5 million). If approved at the forthcoming Annual General Meeting, the proposed final dividend and special dividend amounting to \$9.5 million will be paid on 8 May 2020.

11. Borrowings, contingent liabilities and loan capital

The Company has maintained strong liquidity for its business operations and has no borrowings, contingent liabilities and loan capital as at 31 December 2019 (31 December 2018: nil).

12. Interested person transactions

The Company has not obtained a general mandate from shareholders for interested person transactions.

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13. Report of persons occupying managerial position who are related to a director, chief executive officer or substantial shareholder

The Company does not have any managerial staff who is a relative of a director, chief executive officer or substantial shareholder of the Company.

14. Undertakings from all its directors and executive officers

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the SGX-ST Listing Manual.

15. Closure of books

Notice is hereby given that, subject to shareholders' approval of the payment of the final and special dividends at the Annual General Meeting scheduled for 16 April 2020, the Share Transfer Books and the Register of Members of the Company will be closed on 28 April 2020, for the preparation of dividend warrants. Registrable transfers received by the Company's Registrar, Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623, up to 5.00 pm on 27 April 2020 will be registered for the final and special dividends. In respect of ordinary shares in securities accounts with The Central Depository (Pte) Limited ("CDP"), the final and special dividends will be paid by the Company to CDP which will, in turn, distribute the dividends to holders of the securities accounts.

BY ORDER OF THE BOARD

MRS VIVIEN CHAN
SECRETARY

Dated this 12 February 2020