

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 2018

	<u>2018</u> \$'000	<u>2017</u> \$'000	<u>Incr/ (Decr)</u> %
(a) Gross premium written	<u>103,258</u>	<u>103,744</u>	(0.5)
Net earned premium	41,392	43,353	(4.5)
Net claims incurred	(9,457)	(9,363)	1.0
Net commission	5,723	3,868	48.0
Management expenses :			
Staff cost	(8,135)	(7,780)	4.6
Rental expenses	(1,306)	(1,306)	-
Depreciation	(94)	(94)	-
Foreign exchange gain/(loss)	29	(130)	(122.3)
Other operating expenses	(3,657)	(3,300)	10.8
Underwriting profit	<u>24,495</u>	<u>25,248</u>	(3.0)
Gross dividends from investments	3,704	3,233	14.6
Interest income from investments	7,925	8,192	(3.3)
Interest on fixed deposits and bank balances	387	330	17.3
Net write-back of expected credit loss on debt securities at FVOCI	64	-	NM
Amortisation of (premium)/discount on debt securities	(49)	61	(180.3)
Miscellaneous income	151	34	344.1
Net gains on interest rate futures - Realised	125	-	NM
Net losses on interest rate futures - Unrealised	(882)	-	NM
Net fair value losses on mandatorily measured at fair value through profit or loss ("FVTPL") investments - unrealised	(5,980)	-	NM
Net losses on disposal of mandatorily measured at FVTPL investments	(1,003)	-	NM
Net losses on disposal of fair value through other comprehensive income ("FVOCI") investments	(482)	-	NM
Net gains on disposal of available-for-sale investments	-	2,223	(100.0)
Net fair value (losses)/gains on forward contracts - realised	<u>(3,235)</u>	<u>5,568</u>	(158.1)
Net fair value (losses)/gains on forward contracts - unrealised	<u>(1,204)</u>	<u>3,623</u>	(133.2)
Exchange gains/(losses)	<u>3,389</u>	<u>(8,353)</u>	(140.6)
	<u>(1,050)</u>	838	(225.3)
Management expenses not charged to insurance revenue account:			
Management fees	(1,058)	(1,054)	0.4
Other operating expenses	(559)	(557)	0.4
Non-underwriting income	<u>1,293</u>	<u>13,300</u>	(90.3)
Profit before tax	<u>25,788</u>	<u>38,548</u>	(33.1)
Tax expense	(1,957)	(5,600)	(65.1)
Profit after tax	<u>23,831</u>	<u>32,948</u>	(27.7)
Profit attributable to equity holders of the Company	<u>23,831</u>	<u>32,948</u>	(27.7)

Note : NM = Not Meaningful

NEWS RELEASE

1. Audited income statement for the year ended 31 December 2018 (cont'd)

	<u>2018</u> \$'000	<u>2017</u> \$'000	Incr/ (Decr) %
(b) Gross premium income			
6 months ended 30 June	56,725	58,759	(3.5)
6 months ended 31 December	46,533	44,985	3.4
Total for the year	<u>103,258</u>	<u>103,744</u>	(0.5)
(c) Net profit after tax			
6 months ended 30 June	11,415	15,172	(24.8)
6 months ended 31 December	12,416	17,776	(30.2)
Total for the year	<u>23,831</u>	<u>32,948</u>	(27.7)
(d) Earnings per share :			
Basic and diluted (cents)	<u>38.97</u>	<u>53.88</u>	(27.7)

2. Audited statement of comprehensive income for the year ended 31 December 2018

	<u>2018</u> \$'000	<u>2017</u> \$'000	Incr/ (Decr) %
Net profit	23,831	32,948	(27.7)
Other comprehensive income :			
Items that will not be reclassified to profit or loss :			
Net fair value loss on equity securities at FVOCI	(1,214)	-	NM
Tax related to the above	206	-	NM
	<u>(1,008)</u>	<u>-</u>	NM
Items that may be reclassified subsequently to profit or loss :			
Debt securities at FVOCI			
Changes in fair value	(6,640)	-	NM
Transfer to profit or loss on disposal	482	-	NM
Changes in allowance for expected credit losses	(64)	-	NM
Tax related to the above	1,058	-	NM
Available-for-sale financial assets:			
Changes in fair value	-	26,352	(100.0)
Transfer to profit or loss on disposal	-	(2,223)	(100.0)
Tax related to the above	-	(4,103)	(100.0)
	<u>(5,164)</u>	<u>20,026</u>	(125.8)
Other comprehensive income for the financial year, net of tax	<u>(6,172)</u>	<u>20,026</u>	(130.8)
Total comprehensive income for the financial year, net of tax	<u>17,659</u>	<u>52,974</u>	(66.7)
Total comprehensive income attributable to equity holders of the Company	<u>17,659</u>	<u>52,974</u>	(66.7)

Note : NM = Not Meaningful

NEWS RELEASE

3. Audited statement of financial position

	<u>2018</u> \$'000	<u>2017</u> \$'000	1 Jan <u>2017</u> \$'000
(a) Share capital - Issued and fully paid	91,733	91,733	91,733
Reserves	<u>286,641</u>	<u>285,847</u>	<u>243,269</u>
	378,374	377,580	335,002
Liabilities			
Insurance creditors	15,516	13,755	21,163
Non-trade creditors and accrued liabilities	5,706	5,674	4,138
Amount owing to related companies	566	1,968	2,140
Derivative financial liabilities	882	-	1,775
Tax payable	6,562	8,334	7,478
Deferred tax liabilities	7,355	10,524	6,416
Deferred acquisition cost - reinsurers' share	9,470	9,354	9,298
Gross technical balances			
- Reserve for unexpired risks	56,170	64,153	62,972
- Reserve for outstanding claims	<u>130,123</u>	<u>155,414</u>	<u>156,363</u>
	232,350	269,176	271,743
	<u>610,724</u>	<u>646,756</u>	<u>606,745</u>
Assets			
Bank balances and fixed deposits	63,895	54,452	59,648
Insurance debtors	11,310	11,655	20,780
Non-trade debtors and accrued interest receivables	4,114	3,082	3,172
Derivative financial assets	645	1,849	1
Associated company	1	1	1
Investments	408,828	427,401	380,741
Fixed assets	203	247	224
Deferred acquisition cost - gross	8,175	8,074	7,940
Reinsurers' share of technical balances			
- Reserve for unexpired risks	35,183	42,362	39,635
- Reserve for outstanding claims	<u>78,370</u>	<u>97,633</u>	<u>94,603</u>
	610,724	646,756	606,745
	<u>610,724</u>	<u>646,756</u>	<u>606,745</u>
(b) Net asset value per share (S\$)	6.19	6.17	5.48
Number of shares issued ('000)	61,155	61,155	61,155

NEWS RELEASE

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 2018					
- as previously reported	91,733	22,880	49,717	213,250	377,580
- effect of adopting SFRS(I) 9	-	-	(9,616)	9,569	(47)
- as restated	91,733	22,880	40,101	222,819	377,533
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
Balance at 1 January 2017	91,733	22,880	29,691	190,698	335,002
Profit net of tax	-	-	-	32,948	32,948
Other comprehensive income for the financial year, net of tax	-	-	20,026	-	20,026
Total comprehensive income for the financial year, net of tax	-	-	20,026	32,948	52,974
Dividend for Year 2016	-	-	-	(8,561)	(8,561)
Dividend for Year 2017	-	-	-	(1,835)	(1,835)
Balance at 31 December 2017	91,733	22,880	49,717	213,250	377,580

NEWS RELEASE

5. Audited statement of cash flows

	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
Cash flows from operating activities		
Profit before tax	25,788	38,548
Adjustments for:		
Movement in net reserve for unexpired risks	(804)	(1,546)
Movement in net deferred acquisition costs	15	(78)
Movement in net reserve for outstanding claims	(6,028)	(3,979)
Depreciation	94	94
Net fair value losses/(gains) on forward contracts-unrealised	1,204	(3,623)
Net losses on interest rate futures-unrealised	882	-
Net fair value losses on mandatorily measured at FVTPL investments - unrealised	5,980	-
Net losses on disposal of mandatorily measured at FVTPL investments	1,003	-
Net losses on disposal of FVOCI investments	482	-
Net gains on disposal of available-for-sale investments	-	(2,223)
Amortisation of premium/(discount) on investments	49	(61)
Net write-back of expected credit loss on debts securities at FVOCI	(64)	-
Gross dividends from investments	(3,704)	(3,233)
Interest income from investments	(7,925)	(8,192)
Interest on fixed deposits and bank balances	(387)	(330)
Exchange (gains)/losses	(3,408)	8,223
Operating profit before working capital changes	<u>13,177</u>	<u>23,600</u>
Changes in working capital:		
Trade and other receivables	(647)	9,121
Trade and other payables	1,793	(5,872)
Amount owing to related companies	(1,402)	(172)
Cash generated from operations	<u>12,921</u>	<u>26,677</u>
Tax paid	(5,365)	(4,738)
Net cash flow from operating activities	<u>7,556</u>	<u>21,939</u>
Cash flows from investing activities		
Proceeds from disposal of investments	77,654	193,057
Purchase of investments	(70,875)	(221,528)
Purchase of fixed assets	(50)	(117)
Proceed from/(placement in) long-term fixed deposits	6,163	(3,255)
Dividend received from investments	3,706	3,276
Interest received from investments	7,883	8,251
Interest received on fixed deposits and bank balances	387	322
Net cash flow from/(used in) investing activities	<u>24,868</u>	<u>(19,994)</u>
Cash flow from financing activity		
Dividend paid	(16,818)	(10,396)
Cash flow used in financing activity	<u>(16,818)</u>	<u>(10,396)</u>
Net increase/(decrease) in cash and cash equivalents	<u>15,606</u>	<u>(8,451)</u>
Cash and cash equivalents at beginning of year	<u>45,860</u>	<u>54,311</u>
Cash and cash equivalents at end of year	<u>61,466</u>	<u>45,860</u>

NEWS RELEASE

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

For the purpose of cash flow statement, bank balances and fixed deposits in the balance sheet comprise the following :

	<u>2018</u> \$'000	<u>2017</u> \$'000
Cash and bank balances	16,165	16,527
Fixed deposits placement less than 3 months	<u>45,301</u>	<u>29,333</u>
Cash and cash equivalents	<u>61,466</u>	<u>45,860</u>
Fixed deposits placement more than 3 months	<u>2,429</u>	<u>8,592</u>
	<u><u>63,895</u></u>	<u><u>54,452</u></u>

NEWS RELEASE

6. Segment information

	SIF \$'000	OIF \$'000	SHF \$'000	Total \$'000
<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 mandatorily measured at FVTPL investments - unrealised	(3,174)	(721)	(2,085)	(5,980)
Net losses on disposal of mandatorily measured at FVTPL investments	(623)	(66)	(314)	(1,003)
Net losses on disposal of FVOCI investments	(240)	(77)	(165)	(482)
Exchange gains	1,817	422	1,150	3,389
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
<u>For Year 2017</u>				
Gross premium written	79,049	24,695	-	103,744
Net earned premium	31,298	12,055	-	43,353
Net claims incurred	(5,309)	(4,054)	-	(9,363)
Net commission	5,065	(1,197)	-	3,868
Management expenses	(10,002)	(2,608)	-	(12,610)
Underwriting profit	21,052	4,196	-	25,248
Gross dividends from investments	1,201	209	1,823	3,233
Interest income from investments	4,443	904	2,845	8,192
Interest on fixed deposits and bank balances	173	109	48	330
Net fair value gains on financial derivatives	4,948	1,120	3,123	9,191
Net gains on disposal of available-for-sale investments	1,472	215	536	2,223
Exchange losses	(4,462)	(1,023)	(2,868)	(8,353)
Other income	63	9	23	95
Miscellaneous management expenses not included in insurance revenue account - net	(631)	(134)	(846)	(1,611)
Profit before tax	28,259	5,605	4,684	38,548
Tax expense	(4,698)	(335)	(567)	(5,600)
Profit after tax	23,561	5,270	4,117	32,948
Segment total assets as at 31 December 2017	373,031	85,149	188,576	646,756
Segment total liabilities as at 31 December 2017	215,170	45,386	8,620	269,176

NEWS RELEASE

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 2018 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:

	<u>Revenue for</u>		<u>Non-current assets as at</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Singapore	81,181	82,164	203	247
Asean	16,574	16,379	-	-
Others	5,503	5,201	-	-
	103,258	103,744	203	247

The Company's non-current assets presented above consist of fixed assets only.

NEWS RELEASE

7. Review of performance

Highlights and Performance Indicators

\$'000	2018	2017	2018/ 2017 %	4th Quarter 2018	4th Quarter 2017	4Q18/ 4Q17 %
Gross premium written	103,258	103,744	- 0.5	23,515	21,322	+ 10.3
Net earned premium	41,392	43,353	- 4.5	11,239	11,732	- 4.2
Net claims incurred	(9,457)	(9,363)	+ 1.0	811	(957)	- 184.7
Net commission	5,723	3,868	+ 48.0	4,586	3,531	+ 29.9
Management expenses	(13,163)	(12,610)	+ 4.4	(3,294)	(2,840)	+ 16.0
Underwriting profit	24,495	25,248	- 3.0	13,342	11,466	+ 16.4
Non-underwriting income /(loss)	1,293	13,300	- 90.3	(8,357)	2,723	- 406.9
Profit before tax	25,788	38,548	- 33.1	4,985	14,189	- 64.9
Profit after tax	23,831	32,948	- 27.7	6,397	12,335	- 48.1
Other comprehensive income, net of tax	(6,172)	20,026	- 130.8	(5,852)	(10)	NM
Total comprehensive income	17,659	52,974	- 66.7	545	12,325	- 95.6
Net asset value per share (\$)	6.19	6.17	+ 0.3	6.19	6.17	+ 0.3

Note : NM = Not Meaningful

2018 versus 2017

Gross premium decreased by \$0.5 million or 0.5% to \$103.3 million due mainly to market-wide erosion of premium rates and the Company's risk control efforts to weed out unprofitable businesses and catastrophe prone offshore insurance accounts. Correspondingly, net earned premium decreased by \$2.0 million or 4.5% to \$41.4 million as compared to that of the preceding year. Net claims incurred increased by \$94,000 or 1.0%. Net commission income increased by \$1.9 million or 48.0% due to higher commission recovery from reinsurers. Management expenses increased by \$0.6 million or 4.4%. Consequently, underwriting profit reduced by 3.0% to \$24.5 million due mainly to lower net earned premium.

Given the generally difficult and uncertain investment climate worldwide in 2018, non-underwriting income decreased by \$12.0 million to \$1.3 million as compared to \$13.3 million in the corresponding period last year due mainly to the unrealised loss from revaluation of "fair value through profit or loss" (FVTPL) investments which unexpectedly declined from an unrealised gain of \$10.4 million as at 31 December 2017 to an unrealised gain of \$4.5 million as at 31 December 2018. Since then these FVTPL investments had recovered and registered an unrealised gain of \$7.6 million as at 31 January 2019.

Overall profit before tax decreased by 33.1% to \$25.8 million.

As shown in the above table, other comprehensive income, which affects the balance sheet and not the profit before tax, was a net unrealised loss of \$6.2 million from investments, mainly due to unfavourable market conditions in the current period.

NEWS RELEASE

7. Review of performance (Cont'd)

Highlights and Performance Indicators (cont'd)

2018 versus 2017 (cont'd)

Overall, total comprehensive income was \$17.7 million, a decrease of 66.7%, when compared to the corresponding period last year due mainly to lower investment income. Nevertheless, net asset value per share continued to rise to \$6.19 or an increase of 0.3% as against the \$6.17 attained in the same period of last year.

4th Quarter 2018 ("4Q18") versus 4th Quarter 2017 ("4Q17")

The gross premium increased by 10.3% to \$23.5 million. Net earned premium decreased by 4.2% to \$11.2 million in 4Q18 as compared to 4Q17 due to the higher premium reserve strain in the current quarter. Net claims incurred decreased by \$1.8 million or 184.7% due to improvement in claims experience. Net commission income increased by \$1.1 million to \$4.6 million. Management expenses was higher by \$0.5 million or 16.0%. Consequently, underwriting profit in 4Q18 increased by \$1.9 million or 16.4% to \$13.3 million. The Company recorded a non-underwriting loss of \$8.4 million due mainly to unrealised losses arising from revaluation of investments. Profit before tax for 4Q18 decreased by 64.9% to \$5.0 million due mainly to losses from the investments.

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

Amid the many global uncertainties, Singapore and other regional economies will likely face more challenges in 2019. The local insurance market continues to face intense competition and suffers from inadequate premium pricing. In such an environment, the Company will continue to exercise underwriting prudence as it seeks to grow its business. In addition to its continued focus on cross selling initiatives with the parent bank in Singapore and elsewhere in the region, continuous efforts will be made to develop the insurance intermediary business. The Company will also be committing more resources to the digitalisation of its insurance services as it is fast becoming an essential part of insurance operations.

The investment markets will continue to be affected by many uncertainties arising particularly from geopolitics and trade tensions. Notwithstanding the difficult environment, the Company will continue to strive for better returns from its investments.

9. Accounting policy

Singapore listed companies are required to apply a new reporting framework - Singapore Financial Reporting Standards (International) ("SFRS(I)") that is equivalent to the International Financial Reporting Standards ("IFRS") with effect from 1 January 2018. Accordingly, the financial statements have been prepared based on the new reporting framework. SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) was applied with no impact on the financial statements.

The adoption of the SFRS(I) 9 Financial Instruments did not have a significant impact on the Company's financial statements on transition date. The impact of applying SFRS(I) 9 was an increase in retained earnings of \$9.6 million and a decrease in the fair value reserves of \$9.6 million arising from reclassification and remeasurement of certain financial assets and financial liabilities.

Other than the above change, the accounting policies and computation methods adopted in the financial statements for the year ended 31 December 2018 are the same as those applied in the audited financial statements for the financial year ended 31 December 2017.

NEWS RELEASE

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 5 cents per share (one-tier tax-exempt) (2017 final dividend: 14 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 2018.

Together with the interim dividend of 8.5 cents per share paid on 13 August 2018, the total dividend for the financial year ended 31 December 2018 would be 22 cents per share (2017 : 22 cents per share) amounting to a total net dividend payment of \$13.5 million (2017: \$13.5 million). If approved at the forthcoming Annual General Meeting, the proposed final dividend and special dividend amounting to \$8.3 million will be paid on 6 May 2019.

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 2018 (31 December 2017: nil).

12. Interested person transactions

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

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. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

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.

NEWS RELEASE

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 12 April 2019, the Share Transfer Books and the Register of Members of the Company will be closed on 25 April 2019, 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 24 April 2019 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 12th February 2019