

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 2020

	<u>2020</u>	<u>2019</u>	<u>Incr/</u>
	\$'000	\$'000	(Decr)
			%
(a) Gross premium written	<u>96,857</u>	<u>105,943</u>	(8.6)
Net earned premium	41,419	42,348	(2.2)
Net claims incurred	(11,662)	(10,943)	6.6
Net commission	5,873	7,441	(21.1)
Management expenses :			
Staff cost	(7,657)	(8,672)	(11.7)
Depreciation	(1,808)	(1,413)	28.0
Foreign exchange gain/(loss)	2	(43)	(104.7)
Impairment losses on owner-occupied property	(763)	-	NM
Other operating expenses	<u>(4,352)</u>	<u>(4,275)</u>	1.8
Underwriting profit	<u>21,052</u>	<u>24,443</u>	(13.9)
Dividend income from investments	3,553	7,744	(54.1)
Interest income from investments	8,896	8,617	3.2
Interest on fixed deposits and bank balances	249	851	(70.7)
Net losses on disposal of fixed assets	-	(1)	NM
Write-back/(provision) of expected credit loss on debt securities at FVOCI	26	(73)	(135.6)
Amortisation of premium on investments	(781)	(243)	221.4
Rental income from property	1,006	-	NM
Miscellaneous income	64	312	(79.5)
Net fair value losses on interest rate futures - realised	-	(3,008)	(100.0)
Net fair value gains on interest rate futures - unrealised	-	882	(100.0)
Net fair value losses on mandatorily measured at fair value through profit or loss (FVTPL) investments - unrealised	(46)	(3,697)	(98.8)
Net fair value losses on investment property - unrealised	<u>(1,382)</u>	-	NM
Net gains on disposal of mandatorily measured at FVTPL investments	-	12,461	(100.0)
Net gains on disposal of fair value through other comprehensive income (FVOCI) investments	761	918	(17.1)
Net fair value (losses)/gains on financial derivatives - realised	<u>(2,057)</u>	<u>1,073</u>	(291.7)
Net fair value gains on financial derivatives - unrealised	3,885	1,019	281.3
Exchange losses	<u>(3,335)</u>	<u>(3,121)</u>	6.9
	<u>(1,507)</u>	<u>(1,029)</u>	46.5
Management expenses not charged to insurance revenue account:			
Management fees	(1,326)	(1,171)	13.2
Other operating expenses	<u>(1,058)</u>	<u>(749)</u>	41.3
Non-underwriting income	<u>8,455</u>	<u>21,814</u>	(61.2)
Profit before tax	29,507	46,257	(36.2)
Tax expense	(5,403)	(5,865)	(7.9)
Profit after tax	<u>24,104</u>	<u>40,392</u>	(40.3)
Profit attributable to equity holders of the Company	<u>24,104</u>	<u>40,392</u>	(40.3)

Note : NM = Not Meaningful

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1. Audited income statement for the year ended 31 December 2020 (cont'd)

	<u>2020</u> \$'000	<u>2019</u> \$'000	Incr/ (Decr) %
(b) Gross premium income			
6 months ended 30 June	56,561	58,458	(3.2)
6 months ended 31 December	40,296	47,485	(15.1)
Total for the year	<u>96,857</u>	<u>105,943</u>	(8.6)
(c) Net profit after tax			
6 months ended 30 June	8,562	19,791	(56.7)
6 months ended 31 December	15,542	20,601	(24.6)
Total for the year	<u>24,104</u>	<u>40,392</u>	(40.3)
(d) Earnings per share :			
Basic and diluted (cents)	<u>39.41</u>	<u>66.05</u>	(40.3)

2. Audited statement of comprehensive income for the year ended 31 December 2020

	<u>2020</u> \$'000	<u>2019</u> \$'000	Incr/ (Decr) %
Net profit	24,104	40,392	(40.3)
Other comprehensive income :			
Items that will not be reclassified to profit or loss :			
Net fair value (losses)/gains on equity securities at FVOCI	(8,321)	6,288	(232.3)
Tax related to the above	1,284	(1,108)	(215.9)
	<u>(7,037)</u>	<u>5,180</u>	(235.8)
Items that may be reclassified subsequently to profit or loss :			
Debt securities at FVOCI			
Changes in fair value	5,294	10,156	(47.9)
Transfer to profit or loss on disposal	(761)	(918)	(17.1)
Changes in allowance for expected credit loss	(26)	73	(135.6)
Tax related to the above	(770)	(1,531)	(49.7)
	<u>3,737</u>	<u>7,780</u>	(52.0)
Other comprehensive income for the financial year, net of tax	<u>(3,300)</u>	<u>12,960</u>	(125.5)
Total comprehensive income for the financial year, net of tax	<u>20,804</u>	<u>53,352</u>	(61.0)
Total comprehensive income attributable to equity holders of the Company	<u>20,804</u>	<u>53,352</u>	(61.0)

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3. Audited statement of financial position

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
(a) Share capital - Issued and fully paid	91,733	91,733
Reserves	<u>332,666</u>	<u>326,539</u>
	<u>424,399</u>	<u>418,272</u>
Liabilities		
Insurance creditors	10,254	10,780
Non-trade creditors and accrued liabilities	7,288	6,557
Lease liabilities	1,159	2,368
Amount owing to related companies	1,465	640
Derivative financial liabilities	1,290	84
Tax payable	8,605	7,210
Deferred tax liabilities	9,049	10,009
Deferred acquisition cost - reinsurers' share	8,787	9,424
Gross technical balances		
- Reserve for unexpired risks	49,040	56,473
- Reserve for outstanding claims	<u>116,546</u>	<u>113,847</u>
	<u>213,483</u>	<u>217,392</u>
	<u>637,882</u>	<u>635,664</u>
Assets		
Bank balances and fixed deposits	59,742	92,965
Insurance debtors	9,913	16,827
Non-trade debtors and accrued interest receivables	4,786	8,905
Derivative financial assets	6,839	1,748
Associated company	1	1
Investments	398,142	404,167
Investment property	27,591	-
Fixed assets	24,866	825
Right-of-use assets	1,231	2,556
Deferred acquisition cost - gross	7,025	8,439
Reinsurers' share of technical balances		
- Reserve for unexpired risks	29,479	34,264
- Reserve for outstanding claims	<u>68,267</u>	<u>64,967</u>
	<u>637,882</u>	<u>635,664</u>
(b) Net asset value per share (S\$)	6.94	6.84
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 2020	91,733	22,880	47,363	256,296	418,272
Profit net of tax	-	-	-	24,104	24,104
Other comprehensive income for the financial year, net of tax	-	-	(3,300)	-	(3,300)
Total comprehensive income for the financial year, net of tax	-	-	(3,300)	24,104	20,804
Transfer of fair value reserves of equity securities at FVOCI upon disposal, net of tax	-	-	(456)	456	-
Dividend for Year 2019	-	-	-	(9,479)	(9,479)
Dividend for Year 2020	-	-	-	(5,198)	(5,198)
Balance at 31 December 2020	91,733	22,880	43,607	266,179	424,399
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

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5. Audited statement of cash flows

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Cash flows from operating activities		
Profit before tax	29,507	46,257
Adjustments for:		
Movement in net reserve for unexpired risks	(2,648)	1,222
Movement in net deferred acquisition costs	777	(310)
Movement in net reserve for outstanding claims	(601)	(2,873)
Net fair value gains on financial derivatives-unrealised	(3,885)	(1,019)
Net fair value gains on interest rate futures-unrealised	-	(882)
Net fair value losses on mandatorily measured at FVTPL investments - unrealised	46	3,697
Impairment losses on owner-occupied property	763	-
Net fair value losses on investment property - unrealised	1,382	-
Depreciation	1,808	1,413
Interest paid	41	69
Net gains on disposal of mandatorily measured at FVTPL investments	-	(12,461)
Net gains on disposal of FVOCI investments	(761)	(918)
Net losses on disposal of fixed assets	-	1
Amortisation of premium on investments	781	243
(Write-back)/provision of expected credit loss on debt securities at FVOCI	(26)	73
Dividend income from investments	(3,553)	(7,744)
Interest income from investments	(8,896)	(8,617)
Interest on fixed deposits and bank balances	(249)	(851)
Exchange losses	3,268	2,962
Operating profit before working capital changes	<u>17,754</u>	<u>20,262</u>
Changes in working capital:		
Trade and other receivables	10,693	(9,980)
Trade and other payables	205	(4,212)
Amount owing to related companies	825	74
Cash generated from operations	<u>29,477</u>	<u>6,144</u>
Tax paid	(4,454)	(5,202)
Interest paid	(41)	(69)
Net cash flows from operating activities	<u>24,982</u>	<u>873</u>
Cash flows from investing activities		
Proceeds from disposal of investments	231,342	345,369
Purchase of investments	(232,439)	(318,705)
Purchase of investment property	(28,973)	-
Purchase of owner-occupied property	(24,582)	-
Purchase of fixed assets	(705)	(715)
Placement in long-term fixed deposits	(21)	(4)
Dividend received from investments	3,558	7,716
Interest received from investments	9,175	8,340
Interest received on fixed deposits and bank balances	305	828
Net cash flows (used in)/from investing activities	<u>(42,340)</u>	<u>42,829</u>

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

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Cash flows from financing activity		
Leases paid	(1,209)	(1,182)
Dividend paid	(14,677)	(13,454)
Cash flows used in financing activity	<u>(15,886)</u>	<u>(14,636)</u>
Net (decrease)/increase in cash and cash equivalents	(33,244)	29,066
Cash and cash equivalents at beginning of year	<u>90,532</u>	61,466
Cash and cash equivalents at end of year	<u><u>57,288</u></u>	<u><u>90,532</u></u>

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

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Cash and bank balances	32,269	16,679
Fixed deposits placement less than 3 months	<u>25,019</u>	73,853
Cash and cash equivalents	<u>57,288</u>	90,532
Fixed deposits placement more than 3 months	<u>2,454</u>	2,433
Bank balances and fixed deposits	<u><u>59,742</u></u>	<u><u>92,965</u></u>

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6. Segment information

	SIF \$'000	OIF \$'000	SHF \$'000	Total \$'000
<u>For Year 2020</u>				
Gross premium written	71,020	25,837	-	96,857
Net earned premium	28,303	13,116	-	41,419
Net claims incurred	(6,604)	(5,058)	-	(11,662)
Net commission	7,482	(1,609)	-	5,873
Management expenses	(11,814)	(2,764)	-	(14,578)
Underwriting profit	17,367	3,685	-	21,052
Gross dividends from investments	1,158	221	2,174	3,553
Interest income from investments	4,804	1,024	3,068	8,896
Interest on fixed deposits and bank balances	149	57	43	249
Rental income from property	-	-	1,006	1,006
Net fair value gains on financial derivatives	953	51	824	1,828
Net fair value losses on FVTPL investments - unrealised	(23)	(23)	-	(46)
Exchange losses	(1,659)	(426)	(1,250)	(3,335)
Net fair value losses on investment property - unrealised	-	-	(1,382)	(1,382)
Net gains on disposal of FVOCI investments	358	160	243	761
Other expenses	(238)	(84)	(369)	(691)
Miscellaneous management expenses not included in insurance revenue account - net	(782)	(178)	(1,424)	(2,384)
Profit before tax	22,087	4,487	2,933	29,507
Tax expense	(4,221)	(562)	(620)	(5,403)
Profit after tax	17,866	3,925	2,313	24,104
Segment total assets as at 31 December 2020	328,247	76,371	233,264	637,882
Segment total liabilities as at 31 December 2020	162,895	40,640	9,948	213,483
<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)/gains 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 income/(expenses)	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

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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 2020 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>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	\$'000	\$'000
Singapore	74,302	80,724	26,097	3,381
Asean	16,201	17,823	-	-
Others	6,354	7,396	-	-
	<u>96,857</u>	<u>105,943</u>	<u>26,097</u>	<u>3,381</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	2020 \$'000	2019 \$'000	Incr/ (Decr) %	4th Qtr 2020 \$'000	4th Qtr 2019 \$'000	Incr/ (Decr) %
Gross premium written	96,857	105,943	- 8.6	19,003	22,573	- 15.8
Net earned premium	41,419	42,348	- 2.2	11,477	12,064	- 4.9
Net claims incurred	(11,662)	(10,943)	+ 6.6	(1,897)	(1,270)	+ 49.4
Net commission	5,873	7,441	- 21.1	3,816	5,536	- 31.1
Management expenses	(14,578)	(14,403)	+ 1.2	(4,714)	(4,143)	+ 13.8
Underwriting profit	21,052	24,443	- 13.9	8,682	12,187	- 28.8
Non-underwriting income	8,455	21,814	- 61.2	2,709	2,984	- 9.2
Profit before tax	29,507	46,257	- 36.2	11,391	15,171	- 24.9
Profit after tax	24,104	40,392	- 40.3	8,951	14,275	- 37.3
Other comprehensive income, net of tax	(3,300)	12,960	- 125.5	8,454	(1,850)	NM
Total comprehensive income	20,804	53,352	- 61.0	17,405	12,425	+ 40.1
Net asset value per share (\$)	6.94	6.84	+ 1.5	6.94	6.84	+ 1.5

Financial Ratios	2020 %	2019 %	Incr/ (Decr) % - point	4th Qtr 2020 %	4th Qtr 2019 %	Incr/ (Decr) % - point
Net incurred loss ratio ⁽¹⁾	28.2	25.8	+ 2.4	16.5	10.5	+ 6.0
Net commission ratio ⁽²⁾	(14.2)	(17.6)	- 3.4	(33.2)	(45.9)	- 12.7
Management expenses ratio ⁽³⁾	35.2	34.0	+ 1.2	41.1	34.3	+ 6.8
Underwriting profit ratio ⁽⁴⁾	50.8	57.7	- 6.9	75.6	101.0	- 25.4

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

2020 versus 2019

Gross premium decreased by \$9.1 million or 8.6% to \$96.9 million as business activities were adversely affected by COVID-19 pandemic. Correspondingly, net earned premium decreased by \$0.9 million or 2.2% to \$41.4 million as compared to that of the preceding year. Net claims incurred increased by \$0.7 million or 6.6%. Net commission income decreased by \$1.6 million or 21.1% due to lower commission recovery from reinsurers. Management expenses increased by \$0.2 million or 1.2% due to higher expenses caused by depreciation and impairment loss on the Company's property which was mitigated by lower staff costs arising from the government's Jobs Support Scheme. Consequently, underwriting profit reduced by 13.9% to \$21.1 million due mainly to higher net claims incurred and lower commission income.

Non-underwriting income decreased by \$13.3 million to \$8.5 million as compared to \$21.8 million in the corresponding period last year due mainly to weak market sentiments, one-time special dividend received in the previous year and gains from sales of investment recorded last year which were not repeated in the current year.

Overall profit before tax decreased by 36.2% to \$29.5 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 loss of \$3.3 million as compared against an income of \$13.0 million in the corresponding period due to COVID-19 pandemic and the global recession in the current year.

Overall, total comprehensive income was \$20.8 million, a decrease of 61.0%, when compared to the corresponding period last year due mainly to lower investment income. Net asset value per share rose marginally to \$6.94 or an increase of 1.5% as against the \$6.84 attained in the same period of last year.

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

4th Quarter 2020 ("4Q20") versus 4th Quarter 2019 ("4Q19")

The gross premium decreased by 15.8% to \$19.0 million. Net earned premium decreased by 4.9% to \$11.5 million in 4Q20 as compared to 4Q19. Net claims incurred increased by \$0.6 million or 49.4% due to higher claims for Motor, Employers' Liability and Other Accidents in the current quarter. Net commission income decreased by \$1.7 million to \$3.8 million due to lower reinsurance commission recovery from reinsurers. Management expenses was higher by \$0.6 million or 13.8%. Consequently, underwriting profit in 4Q20 decreased by \$3.5 million or 28.8% to \$8.7 million due to higher net claims incurred and lower commission income.

The Company recorded a non-underwriting income of \$2.7 million as compared against of \$3.0 million in the corresponding quarter last year due to weaker market sentiment.

Profit before tax for 4Q20 decreased by 24.9% to \$11.4 million due mainly to declines in both underwriting and investment results.

Other comprehensive income for 4Q20 was a gain of \$8.5 million as the market sentiment had improved in the current quarter.

Total comprehensive income for 4Q20 was \$17.4 million, an increase of \$5.0 million when compared with the same period last year due mainly to improvement in mark-to-market prices.

Hence, underwriting profit ratio decreased by 25.4 percent point.

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

The combined force of the COVID-19 pandemic and the increasing intensity of climate change will impact human lives in every aspect. What have for centuries been regarded as normal are fast being replaced by as yet unquantifiable "new normal". As insurers are involved in all aspects of human endeavour, we will be keeping up with the rapid and unpredictable changes. To that extent, management will meet the challenge of change by making suitable adjustment as and when necessary with a sense of urgency.

In the meantime, every effort will be made to ensure profitability in both underwriting and investment.

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 2020 are the same as those adopted in the preceding year.

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 4 cents per share (one-tier tax-exempt) (2019 final dividend: 8.5 cents per share one-tier tax-exempt; special dividend: 7 cents per share one-tier tax-exempt) in respect of the financial year ended 31 December 2020.

Together with the interim dividend of 8.5 cents per share paid on 17 August 2020, the total dividend for the financial year ended 31 December 2020 would be 21 cents per share (2019 : 24 cents per share) amounting to a total net dividend payment of \$12.8 million (2019: \$14.7 million). If approved at the forthcoming Annual General Meeting, the proposed final dividend and special dividend amounting to \$7.6 million will be paid on 14 May 2021.

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 2020 (31 December 2019: 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 ("Dividends") at the Annual General Meeting scheduled for 23 April 2021, the Share Transfer Books and the Register of Members of the Company will be closed on 4 May 2021, for determining shareholders' entitlements to the Dividends. 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 3 May 2021 ("Record Date") will be registered for the Dividends. In respect of ordinary shares in securities accounts with The Central Depository (Pte) Limited ("CDP"), entitlements to the Dividends will be computed based on the shareholding position after settlement of all trades on Record Date. The 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 19 February 2021