

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 2014

	Group		Incr/ (Decr) %
	2014 \$'000	2013 \$'000	
(a) Gross premium written	108,114	109,452	(1.2)
Net earned premium	44,560	43,990	1.3
Less/(Add) :			
Net claims incurred	18,427	20,358	(9.5)
Net commissions	(892)	(1,487)	(40.0)
Management expenses :			
Staff cost	7,035	6,396	10.0
Rental expenses	1,250	1,203	3.9
Depreciation	98	102	(3.9)
Foreign exchange loss	6	140	(95.7)
Other operating expenses	2,592	2,653	(2.3)
Underwriting profit	16,044	14,625	9.7
Gross dividends from investments	5,826	5,253	10.9
Interest income from investments	6,691	6,296	6.3
Interest on fixed deposits and bank balances	109	86	26.7
Net gains on disposal of fixed assets	2	-	-
Amortisation of investments	(79)	16	NM
Miscellaneous income	75	241	(68.9)
Net fair value losses on financial derivatives - realised	(2,179)	(504)	332.3
Net fair value losses on financial derivatives - unrealised	(354)	(889)	(60.2)
Net gains on disposal of available-for-sale investments	5,812	6,514	(10.8)
Impairment on available-for-sale investments	-	(1,550)	(100.0)
(Less)/Add :			
Management expenses not charged to insurance revenue accounts:			
Management fees	(968)	(956)	1.3
Other operating expenses	(460)	(526)	(12.5)
Exchange differences	2,876	1,977	45.5
Non-underwriting income	17,351	15,958	8.7
Profit before tax	33,395	30,583	9.2
Tax expense	(5,220)	(3,098)	68.5
Profit from continuing operations, net of tax	28,175	27,485	2.5
Loss from discontinued operation, net of tax	-	(109)	(100.0)
Profit attributable to:			
Equity holders of the Company	28,175	27,376	2.9

Note : NM = Not Meaningful

NEWS RELEASE

1. Audited income statement for the year ended 31 December 2014 (cont'd)

	Group		
	<u>2014</u> \$'000	<u>2013</u> \$'000	Incr/ (Decr) %
(b) Gross premium income from continuing operations			
6 months ended 30 June	62,753	63,648	(1.4)
6 months ended 31 December	45,361	45,804	(1.0)
Total for the year	<u>108,114</u>	<u>109,452</u>	(1.2)
(c) Net profit after tax from continuing operations			
6 months ended 30 June	19,381	14,801	30.9
6 months ended 31 December	8,794	12,684	(30.7)
Total for the year	<u>28,175</u>	<u>27,485</u>	2.5
(d) Earnings per share from continuing operations : Basic and diluted (cents)	<u>46.07</u>	44.94	2.5
(e) Earnings per share : Basic and diluted (cents)	<u>46.07</u>	<u>44.76</u>	2.9

2. Audited statement of comprehensive income for the year ended 31 December 2014

	Group		
	<u>2014</u> \$'000	<u>2013</u> \$'000	Incr/ (Decr) %
Net profit	28,175	27,376	2.9
Other comprehensive income :			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation	(191)	247	(177.3)
Net gains on fair value changes of available-for-sale investments	5,446	1,800	202.6
Income tax relating to available-for-sale investments	(936)	(309)	202.9
Other comprehensive income for the financial year, net of tax	<u>4,319</u>	<u>1,738</u>	148.5
Total comprehensive income for the financial year	<u>32,494</u>	<u>29,114</u>	11.6
Attributable to:			
Total comprehensive income from continuing operations, net of tax	32,494	28,976	12.1
Total comprehensive income from discontinued operation, net of tax	-	138	(100.0)
Total comprehensive income attributable to equity holders of the Company	<u>32,494</u>	<u>29,114</u>	11.6

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3. Audited statement of financial position

	<u>Group</u>		<u>Company</u>	
	<u>31-Dec-14</u>	<u>31-Dec-13</u>	<u>31-Dec-14</u>	<u>31-Dec-13</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
(a) Share capital - Issued and fully paid	91,733	91,733	91,733	91,733
Reserves	211,303	189,205	211,303	186,830
	303,036	280,938	303,036	278,563
Liabilities				
Insurance creditors	14,678	20,473	14,678	20,473
Non-trade creditors and accrued liabilities	2,990	3,187	2,990	3,187
Amount owing to related companies	2,094	2,020	2,094	9,326
Derivative financial liabilities	1,208	850	1,208	850
Tax payable	8,617	5,833	8,617	5,833
Deferred tax liabilities	4,545	3,578	4,545	3,578
Deferred acquisition cost - reinsurers' share	9,947	9,890	9,947	9,890
Gross technical balances				
- Reserve for unexpired risks	64,007	65,143	64,007	65,143
- Reserve for outstanding claims	165,748	170,095	165,748	170,095
	273,834	281,069	273,834	288,375
	576,870	562,007	576,870	566,938
Assets				
Bank balances and fixed deposits	60,284	47,269	60,284	47,269
Insurance debtors	12,074	12,121	12,074	12,121
Non-trade debtors and accrued interest receivables	2,954	2,597	2,954	2,597
Derivative financial assets	11	7	11	7
Associated company	1	1	1	1
Available-for-sale investments	353,423	347,403	353,423	347,403
Unsecured term loan	-	13	-	13
Fixed assets	333	256	333	256
Deferred acquisition cost - gross	8,320	8,295	8,320	8,295
Reinsurers' share of technical balances				
- Reserve for unexpired risks	39,697	39,700	39,697	39,700
- Reserve for outstanding claims	99,773	104,336	99,773	104,336
	576,870	561,998	576,870	561,998
Investment in subsidiary	-	-	-	4,940
Assets of discontinued operation	-	9	-	-
	576,870	562,007	576,870	566,938
(b) Net asset value per share (S\$)	4.96	4.59	4.96	4.56
Number of shares issued ('000)	61,155	61,155	61,155	61,155

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4. Audited Group statement of changes in equity

	Share capital \$'000	General reserve \$'000	Available- for-sale investment reserve \$'000	Retained profits \$'000	Reserve of * discontinued operation \$'000	Total \$'000
Balance at 1 January 2014	91,733	22,880	17,928	149,919	(1,522)	280,938
Profit net of tax	-	-	-	28,175	-	28,175
Other comprehensive income for the financial year	-	-	4,510	-	(191)	4,319
Total comprehensive income for the financial year	-	-	4,510	28,175	(191)	32,494
Liquidation of its subsidiary	-	-	-	(1,713)	1,713	-
Dividend for Year 2013	-	-	-	(8,561)	-	(8,561)
Dividend for Year 2014	-	-	-	(1,835)	-	(1,835)
Balance at 31 December 2014	91,733	22,880	22,438	165,985	-	303,036
Balance at 1 January 2013	91,733	22,880	16,437	132,939	(1,769)	262,220
Profit net of tax	-	-	-	27,376	-	27,376
Other comprehensive income for the financial year	-	-	1,491	-	247	1,738
Total comprehensive income for the financial year	-	-	1,491	27,376	247	29,114
Dividend for Year 2012	-	-	-	(8,561)	-	(8,561)
Dividend for Year 2013	-	-	-	(1,835)	-	(1,835)
Balance at 31 December 2013	91,733	22,880	17,928	149,919	(1,522)	280,938

* Hong Kong subsidiary was dissolved on 29 July 2014.

NEWS RELEASE

5. Audited Company statement of changes in equity

	Share <u>capital</u> \$'000	General <u>reserve</u> \$'000	Available- for-sale <u>investment</u> <u>reserve</u> \$'000	Retained <u>profits</u> \$'000	<u>Total</u> \$'000
Balance at 1 January 2014	91,733	22,880	17,928	146,022	278,563
Profit net of tax	-	-	-	30,359	30,359
Other comprehensive income for the financial year	-	-	4,510	-	4,510
Total comprehensive income for the financial year	-	-	4,510	30,359	34,869
Dividend for Year 2013	-	-	-	(8,561)	(8,561)
Dividend for Year 2014	-	-	-	(1,835)	(1,835)
Balance at 31 December 2014	91,733	22,880	22,438	165,985	303,036
Balance at 1 January 2013	91,733	22,880	16,437	128,933	259,983
Profit net of tax	-	-	-	27,485	27,485
Other comprehensive income for the financial year	-	-	1,491	-	1,491
Total comprehensive income for the financial year	-	-	1,491	27,485	28,976
Dividend for Year 2012	-	-	-	(8,561)	(8,561)
Dividend for Year 2013	-	-	-	(1,835)	(1,835)
Balance at 31 December 2013	91,733	22,880	17,928	146,022	278,563

NEWS RELEASE

6. Audited statement of cash flows

	Group	
	<u>2014</u>	<u>2013</u>
	\$'000	\$'000
Cash flows from operating activities		
Profit before tax from continuing operations	33,395	30,583
Loss before tax from discontinued operation	-	(109)
	<u>33,395</u>	<u>30,474</u>
Adjustments for:		
Movement in net reserve for unexpired risks	(1,133)	574
Movement in net deferred acquisition costs	32	(188)
Movement in net outstanding claims	216	5,556
Net fair value losses on financial derivatives-unrealised	354	889
Depreciation	98	102
Net gains on disposal of available-for-sale investments	(5,812)	(6,514)
Net gains on disposal of fixed assets	(2)	-
Amortisation of investments	79	(16)
Impairment on available-for-sale investments	-	1,550
Gross dividends from investments	(5,826)	(5,253)
Interest income from investments	(6,691)	(6,296)
Interest on fixed deposits and bank balances	(109)	(89)
Exchange differences	(2,675)	(2,319)
Operating profit before working capital changes	<u>11,926</u>	<u>18,470</u>
Changes in working capital:		
Trade and other receivables	(310)	(67)
Trade and other payables	(5,992)	7,343
Amount owing to related companies	74	932
Cash generated from operations	<u>5,698</u>	<u>26,678</u>
Tax refund from discontinued operation	9	-
Tax paid	(2,405)	(7,214)
Net cash flow from operating activities	<u>3,302</u>	<u>19,464</u>
Cash flows from investing activities		
Proceeds from disposal of available-for-sale investments	156,750	161,607
Proceeds from disposal of fixed assets	2	-
Purchase of available-for-sale investments	(148,916)	(178,640)
Purchase of fixed assets	(175)	(59)
(Placement in)/proceeds from long-term fixed deposits	(4,229)	3,986
Unsecured term loans	13	-
Gross dividends from investments	5,826	5,253
Interest income from investments	6,691	6,296
Interest on fixed deposits and bank balances	109	89
Net cash flow from/(used in) investing activities	<u>16,071</u>	<u>(1,468)</u>
Cash flow from financing activity		
Dividend paid	(10,396)	(10,396)
Cash flow used in financing activity	<u>(10,396)</u>	<u>(10,396)</u>
Translation difference on foreign subsidiary company	(191)	247
Net increase in cash and cash equivalents	<u>8,786</u>	<u>7,847</u>
Cash and cash equivalents at beginning of year	<u>43,871</u>	<u>36,024</u>
Cash and cash equivalents at end of year	<u>52,657</u>	<u>43,871</u>

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6. Audited statement of cash flows (Cont'd)

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

	Group	
	2014	2013
	\$'000	\$'000
Cash and bank balances	13,708	10,023
Fixed deposits placement less than 3 months	38,949	33,848
Cash and cash equivalents	52,657	43,871
Fixed deposits placement more than 3 months	7,627	3,398
	60,284	47,269

NEWS RELEASE

7. Segment information

	<u>SIF</u>	<u>OIF</u>	<u>SHF</u>	<u>HK Subsidiary *</u>	<u>Consolidated</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
<u>For Year 2014</u>					
Gross premium written	89,161	18,953	-	-	108,114
Net earned premium	34,498	10,062	-	-	44,560
Net claims incurred	14,106	4,321	-	-	18,427
Net commissions	(2,637)	1,745	-	-	(892)
Management expenses	9,331	1,650	-	-	10,981
Underwriting profit	13,698	2,346	-	-	16,044
Interest income from investments	3,746	638	2,307	-	6,691
Interest on fixed deposits and bank balances	55	34	20	-	109
Other income	1,868	(36)	7,271	-	9,103
Miscellaneous income not included in insurance revenue account	718	131	599	-	1,448
Profit before tax	20,085	3,113	10,197	-	33,395
Tax expense	(3,867)	(378)	(975)	-	(5,220)
Profit after tax	16,218	2,735	9,222	-	28,175
Segment total assets as at 31 December 2014	350,518	64,161	162,191	-	576,870
Segment total liabilities as at 31 December 2014	232,598	34,819	6,417	-	273,834
<u>For Year 2013</u>					
Gross premium written	90,113	19,339	-	-	109,452
Net earned premium	33,128	10,862	-	-	43,990
Net claims incurred	16,677	3,681	-	-	20,358
Net commissions	(3,485)	1,998	-	-	(1,487)
Management expenses	8,832	1,662	-	-	10,494
Underwriting profit	11,104	3,521	-	-	14,625
Interest income from investments	3,627	525	2,144	-	6,296
Interest on fixed deposits and bank balances	41	34	11	-	86
Other income	4,566	454	4,061	-	9,081
Miscellaneous income/(management expenses) not included in insurance revenue account	631	(83)	(53)	-	495
Profit before tax	19,969	4,451	6,163	-	30,583
Tax expense	(2,309)	(423)	(366)	-	(3,098)
Profit from continuing operations, net of tax	17,660	4,028	5,797	-	27,485
Loss from discontinued operation, net of tax	-	-	-	(109)	(109)
Profit/(loss) after tax	17,660	4,028	5,797	(109)	27,376
Segment total assets as at 31 December 2013	348,187	54,224	159,587	9	562,007
Segment total liabilities as at 31 December 2013	247,670	28,308	5,091	-	281,069

* Hong Kong subsidiary was dissolved on 29 July 2014.

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7. Segment information (cont'd)

The Group is principally engaged in the business of underwriting general insurance. With 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 HK Subsidiary refers to the Company's wholly-owned subsidiary, UOB Insurance (H.K.) Limited, incorporated in Hong Kong S.A.R. The liquidation of the HK Subsidiary was completed on 29 April 2014 and it was dissolved on 29 July 2014.

The segment information has been prepared in accordance with the Group's accounting policy and Singapore Financial Reporting Standards (FRS).

Information about major external customer

For the year ended 31 December 2014 and the preceding period, the Group did not have any external customer whose premium income exceeded 10% of the Group's total revenue.

Geographical information

Geographical information of the Group'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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Singapore	82,749	83,718	333	256
Asean	12,967	11,805	-	-
Others	4,898	5,787	-	-
	<u>100,614</u>	<u>101,310</u>	<u>333</u>	<u>256</u>

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

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8. Review of performance

Highlights and Performance Indicators for the Group

\$'000	2014	2013	2014/ 2013 %	4th Quarter 2014	4th Quarter 2013	4Q14/ 4Q13 %
Gross premium written	108,114	109,452	- 1.2	22,646	21,458	+ 5.5
Underwriting profit	16,044	14,625	+ 9.7	3,789	2,426	+ 56.2
Non-underwriting income/(loss)	17,351	15,958	+ 8.7	(1,137)	2,788	NM
Profit before tax	33,395	30,583	+ 9.2	2,652	5,214	- 49.1

Note : NM = Not Meaningful

2014 versus 2013

Gross premium decreased by \$1.3 million or 1.2% to \$108.1 million due mainly to portfolio pruning by management while net earned premium increased by \$0.6 million or 1.3% to \$44.6 million as compared to those of the preceding year. Net claims incurred decreased by \$1.9 million or 9.5%. Net commission income decreased by \$0.6 million to \$0.9 million mainly due to lower profit commission. Management expenses increased by \$0.5 million or 4.6%. Underwriting profit increased by 9.7% to \$16.0 million due mainly to higher net earned premium and lower net claims incurred.

Non-underwriting income increased by \$1.4 million to \$17.4 million as compared to \$16.0 million in the corresponding period last year.

Consequently, overall profit before tax increased by 9.2% to \$33.4 million.

4th Quarter 2014 ("4Q14") versus 4th Quarter 2013 ("4Q13")

The Group's gross premium increased by 5.5% to \$22.6 million and net earned premium increased by 5.3% to \$11.6 million in 4Q14 as compared to 4Q13. Net commission income increased by \$0.5 million to \$1.0 million. Management expenses was higher by \$0.7 million or 27.6%. Consequently, underwriting profit in 4Q14 increased by 56.2% or \$1.4 million. The Group recorded a non-underwriting loss of \$1.1 million due to disposal of non-performing investments. Profit before tax for 4Q14 decreased by 49.1% to \$2.7 million due to lower non-underwriting income.

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

Intensifying competition in the domestic market would continue to inhibit premium growth. The frequency and quantum of claims could rise with increasingly unpredictable and extreme weather conditions. The already uncertain geopolitical and economic conditions globally further compounded by recent falling oil prices, fluctuating currency exchange rates and worsening threats of terrorism will render the operating environment even more challenging.

With adaptable marketing strategies to meet the challenge, underpinned by Intra-Group support and proven judicious underwriting, a consistent level of underwriting profitability can be expected. On the other hand, it will be more difficult to predict the level of investment income.

10. Accounting policy

The financial statements, expressed in Singapore dollars are prepared in accordance with Singapore Financial Reporting Standards (FRS). The accounting policies and computation methods adopted in the financial statements for the year ended 31 December 2014 are the same as those adopted in the preceding year.

11. Dividend

The Directors recommend the payment of a final dividend of 12 cents per share (one-tier tax-exempt) and a special dividend of 2 cents per share (one-tier tax-exempt) (2013 final dividend: 12 cents per share one-tier tax-exempt; special dividend: 2 cents per share one-tier tax-exempt) in respect of the financial year ended 31 December 2014.

Together with the interim dividend of 3 cents per share paid on 2 September 2014, the total dividend for the financial year ended 31 December 2013 would be 17 cents per share (2013 : 17 cents per share) amounting to a total net dividend payment of \$10.4 million (2013: \$10.4 million). If approved at the forthcoming Annual General Meeting, the proposed final dividend and special dividend amounting to \$8.6 million will be paid on 13 May 2015.

12. Borrowings, contingent liabilities and loan capital

The Group has maintained strong liquidity for its business operations and has no borrowings, contingent liabilities and loan capital as at 31 December 2014 (31 December 2013: nil).

13. Interested person transactions

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

NEWS RELEASE

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

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

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 23 April 2015, the Share Transfer Books and the Register of Members of the Company will be closed from 5 May 2015 to 6 May 2015, both dates inclusive 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 4 May 2015 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 11th February 2015