

NEWS RELEASE

To : All Shareholders

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

1. Unaudited income statement for the first quarter ended 31 March 2018

	1st Qtr 2018 \$'000	1st Qtr 2017 \$'000	Incr/ (Decr) %
(a) Gross premium written	<u>27,189</u>	<u>28,940</u>	(6.1)
Net earned premium	10,158	10,764	(5.6)
Less/(Add) :			
Net claims incurred	3,141	1,096	186.6
Net commission	(1,474)	(746)	97.6
Management expenses :			
Staff cost	2,024	1,893	6.9
Rental expenses	327	327	-
Depreciation	22	30	(26.7)
Foreign exchange (gain)/loss	(67)	88	NM
Other operating expenses	1,146	1,088	5.3
Underwriting profit	<u>5,039</u>	<u>6,988</u>	(27.9)
Gross dividends from investments	254	183	38.8
Interest income from investments	1,963	2,035	(3.5)
Interest on fixed deposits and bank balances	86	85	1.2
Write-back of expected credit loss on investments	2	-	NM
Amortisation of (premium)/discount on investments	(12)	27	(144.4)
Miscellaneous income	-	1	(100.0)
Net fair value losses on FVTPL investments - unrealised	(1,463)	-	NM
Net losses on disposal of FVOCI investments	(18)	-	NM
Net losses on disposal of available-for-sale investments	-	(356)	(100.0)
Net fair value gains/(losses) on financial derivatives - realised	3,391	(126)	NM
Net fair value (losses)/gains on financial derivatives - unrealised	(610)	3,523	(117.3)
Exchange differences	(2,876)	(3,722)	(22.7)
	(95)	(325)	(70.8)
(Less)/Add :			
Management expenses not charged to insurance revenue account:			
Management fees	(255)	(260)	(1.9)
Other operating expenses	(153)	(173)	(11.6)
Non-underwriting income	<u>309</u>	1,217	(74.6)
Profit before tax	5,348	8,205	(34.8)
Tax expense	(831)	(1,200)	(30.8)
Profit after tax	<u>4,517</u>	<u>7,005</u>	(35.5)
Profit attributable to equity holders of the Company	<u>4,517</u>	<u>7,005</u>	(35.5)
(b) Annualised earnings per share :			
Basic and diluted (cents)	<u>29.54</u>	45.82	(35.5)

Note : NM = Not Meaningful

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**2. Unaudited statement of comprehensive income
 for the first quarter ended 31 March 2018**

	1st Qtr 2018 \$'000	1st Qtr 2017 \$'000	Incr/ (Decr) %
Net profit	4,517	7,005	(35.5)
Other comprehensive income :			
Net (losses)/gains on fair value changes of investments	(906)	11,142	(108.1)
Tax relating to fair value changes of investments	154	(1,895)	(108.1)
Other comprehensive income for the first Quarter ended 31 March, net of tax	<u>(752)</u>	<u>9,247</u>	(108.1)
Total comprehensive income attributable to equity holders of the Company	<u>3,765</u>	<u>16,252</u>	(76.8)

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3. Unaudited statement of financial position

	<u>31-Mar-18</u>	<u>31-Dec-17</u>
	\$'000	\$'000
(a) Share capital - Issued and fully paid	91,733	91,733
Reserves	<u>289,296</u>	<u>285,847</u>
	381,029	377,580
Liabilities		
Insurance creditors	12,710	13,755
Non-trade creditors and accrued liabilities	6,530	5,674
Amount owing to related companies	836	1,968
Tax payable	11,121	8,334
Deferred tax liabilities	8,401	10,524
Deferred acquisition cost - reinsurers' share	9,062	9,354
Gross technical balances		
- Reserve for unexpired risks	64,386	64,153
- Reserve for outstanding claims	<u>152,690</u>	<u>155,414</u>
	<u>265,736</u>	<u>269,176</u>
	<u>646,765</u>	<u>646,756</u>
Assets		
Bank balances and fixed deposits	58,643	54,452
Insurance debtors	17,161	11,655
Non-trade debtors and accrued interest receivables	2,944	3,082
Derivative financial assets	1,239	1,849
Associated company	1	1
Investments	421,780	427,401
Fixed assets	225	247
Deferred acquisition cost - gross	8,161	8,074
Reinsurers' share of technical balances		
- Reserve for unexpired risks	41,519	42,362
- Reserve for outstanding claims	<u>95,092</u>	<u>97,633</u>
	<u>646,765</u>	<u>646,756</u>
	<u>646,765</u>	<u>646,756</u>
(b) Net asset value per share (S\$)	6.23	6.17
Number of shares issued ('000)	61,155	61,155

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4. Unaudited statement of changes in equity

	Share capital \$'000	General reserve \$'000	Revaluation reserve on investments \$'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)	9,300	(316)
- as restated	91,733	22,880	40,101	222,550	377,264
Profit net of tax	-	-	-	4,517	4,517
Other comprehensive income for the quarter ended 31 March	-	-	(752)	-	(752)
Total comprehensive income for the quarter ended 31 March	-	-	(752)	4,517	3,765
Balance at 31 March 2018	91,733	22,880	39,349	227,067	381,029
Balance at 1 January 2017	91,733	22,880	29,691	190,698	335,002
Profit net of tax	-	-	-	7,005	7,005
Other comprehensive income for the quarter ended 31 March	-	-	9,247	-	9,247
Total comprehensive income for the quarter ended 31 March	-	-	9,247	7,005	16,252
Balance at 31 March 2017	91,733	22,880	38,938	197,703	351,254

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5. Unaudited statement of cash flows

	1st Qtr <u>2018</u> \$'000	1st Qtr <u>2017</u> \$'000
Cash flows from operating activities		
Profit before tax	5,348	8,205
Adjustments for:		
Movement in net reserve for unexpired risks	1,076	1,382
Movement in net deferred acquisition costs	(379)	(283)
Movement in net reserve for outstanding claims	(183)	(1,729)
Net fair value losses/(gains) on financial derivatives-unrealised	610	(3,523)
Net fair value losses on FVTPL investments-unrealised	1,463	-
Depreciation	22	30
Net losses on disposal of FVOCI investments	18	-
Net losses on disposal of available-for-sale investments	-	356
Amortisation of premium/(discount) on available-for-sale investments	12	(27)
Write-back of expected credit loss on investments	(2)	-
Gross dividends from investments	(254)	(183)
Interest income from investments	(1,963)	(2,035)
Interest on fixed deposits and bank balances	(86)	(85)
Exchange differences	2,878	3,726
Operating profit before working capital changes	<u>8,560</u>	<u>5,834</u>
Changes in working capital:		
Trade and other receivables	(5,290)	(5,602)
Trade and other payables	(189)	5,595
Amount owing to related companies	(1,132)	(1,167)
Cash generated from operations	<u>1,949</u>	<u>4,660</u>
Tax (paid)/received	(13)	31
Net cash flow from operating activities	<u>1,936</u>	<u>4,691</u>
Cash flows from investing activities		
Proceeds from disposal of investments	4,824	27,946
Purchase of investments	(4,794)	(25,270)
Proceeds from/(placements in) long-term fixed deposits	1,856	(6)
Gross dividends from investments	295	294
Interest income from investments	1,840	1,585
Interest on fixed deposits and bank balances	90	74
Net cash flow from investing activities	<u>4,111</u>	<u>4,623</u>
Net increase in cash and cash equivalents	<u>6,047</u>	<u>9,314</u>
Cash and cash equivalents at beginning of period	<u>45,860</u>	<u>54,311</u>
Cash and cash equivalents at end of period	<u><u>51,907</u></u>	<u><u>63,625</u></u>

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5. Unaudited statement of cash flows (continued)

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

	1st Qtr 2018 \$'000	1st Qtr 2017 \$'000
Cash and bank balances	18,180	14,012
Fixed deposits placement with maturity less than 3 months	33,727	49,613
Cash and cash equivalents	51,907	63,625
Fixed deposits placement with maturity more than 3 months	6,736	5,343
	58,643	68,968

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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 3 months ended 31 March 2018</u>				
Gross premium written	21,155	6,034	-	27,189
Net earned premium	6,833	3,325	-	10,158
Net claims incurred	1,827	1,314	-	3,141
Net commission	(2,095)	621	-	(1,474)
Management expenses	3,119	333	-	3,452
Underwriting profit	3,982	1,057	-	5,039
Gross dividends from investments	138	28	88	254
Interest income from investments	1,066	230	667	1,963
Interest on fixed deposits and bank balances	45	29	12	86
Net fair value gains on financial derivatives	1,505	331	945	2,781
Net fair value losses on FVTPL investments - unrealised	(782)	(174)	(507)	(1,463)
Net losses on disposal of FVOCI investments	(7)	(4)	(7)	(18)
Other income	5	(12)	(3)	(10)
Management expenses not charged to insurance revenue account - net	(1,703)	(369)	(1,212)	(3,284)
Profit before tax	4,249	1,116	(17)	5,348
Tax expense	(722)	(112)	3	(831)
Profit after tax	3,527	1,004	(14)	4,517
Segment total assets as at 31 March 2018	370,164	85,216	191,385	646,765
Segment total liabilities as at 31 March 2018	211,322	45,271	9,143	265,736
<u>For 3 months ended 31 March 2017</u>				
Gross premium written	22,442	6,498	-	28,940
Net earned premium	7,603	3,161	-	10,764
Net claims incurred	1,636	(540)	-	1,096
Net commission	(1,380)	634	-	(746)
Management expenses	2,970	456	-	3,426
Underwriting profit	4,377	2,611	-	6,988
Gross dividends from investments	101	19	63	183
Interest income from investments	1,112	213	710	2,035
Interest on fixed deposits and bank balances	46	25	14	85
Net fair value gains on financial derivatives	1,840	426	1,131	3,397
Net losses on disposal of available-for-sale investments	(124)	(23)	(209)	(356)
Other income	17	4	7	28
Management expenses not charged to insurance revenue account - net	(2,182)	(490)	(1,483)	(4,155)
Profit before tax	5,187	2,785	233	8,205
Tax expense	(882)	(278)	(40)	(1,200)
Profit after tax	4,305	2,507	193	7,005
Segment total assets as at 31 March 2017	373,945	76,759	176,924	627,628
Segment total liabilities as at 31 March 2017	227,499	40,665	8,210	276,374

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6. Segment information (continued)

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 quarter ended 31 March 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:

	Revenue for		Non-current assets as at	
	<u>1Q2018</u>	<u>1Q2017</u>	<u>1Q2018</u>	<u>1Q2017</u>
	\$'000	\$'000	\$'000	\$'000
Singapore	21,504	22,957	225	194
Asean	4,112	4,581	-	-
Others	1,573	1,402	-	-
	<u>27,189</u>	<u>28,940</u>	<u>225</u>	<u>194</u>

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

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7. Review of performance

Highlights and Performance Indicators

\$'000	1st Quarter 2018	1st Quarter 2017	1Q18/ 1Q17
Gross premium written	27,189	28,940	- 6.1
Net earned premium	10,158	10,764	- 5.6
Net claims incurred	3,141	1,096	+186.6
Net commission	(1,474)	(746)	+ 97.6
Management expenses	3,452	3,426	+ 0.8
Underwriting profit	5,039	6,988	- 27.9
Non-underwriting income	309	1,217	- 74.6
Profit before tax	5,348	8,205	- 34.8
Profit after tax	4,517	7,005	- 35.5
Other comprehensive income, net of tax	(752)	9,247	-108.1
Total comprehensive income	3,765	16,252	- 76.8
Net asset value per share (S\$)	6.23	5.74	+ 8.5

1st Quarter 2018 ("1Q2018") versus 1st Quarter 2017 ("1Q2017")

Gross premium decreased by \$1.8 million or 6.1% to \$27.2 million attributable to a combination of factors - timing difference in booking of premiums, pruning exercise to weed out unprofitable accounts and erosion of premium rates. Discounting the timing difference of about \$0.91 million, the actual decrease is \$0.89 million or 3.1%. Net earned premium consequently reduced by \$0.6 million or 5.6% to \$10.2 million. Net claims incurred was comparatively higher by \$2.0 million or 186.6% due mainly to exceptionally low net claims incurred caused by low net claims paid, delay in declaration of claims and better underwriting results from the offshore reinsurance business in 1Q2017. Net commission income increased by \$0.7 million or 97.6% to \$1.5 million due to higher reinsurance commission recoveries from reinsurers. Management expenses increased by \$26,000 or 0.8%. Consequently, underwriting profit decreased by 27.9% to \$5.0 million.

Non-underwriting income decreased to \$0.3 million as compared to \$1.2 million in the corresponding period last year. The decrease was mainly due to reduction in unrealised fair value gains from the Company's investment in unit trusts and exchange traded funds, which are reported in the income statement under the new financial reporting standard SFRS(I) 9 Financial Instruments, whereas they would have been reported as other comprehensive income previously. If the Profit and Loss Statement was prepared on the same basis as that done in 1Q2017, non-underwriting income would have been \$1.8 million, an increase of \$0.6 million or 45.4%.

Consequently, overall profit before tax was \$5.3 million, a decrease of 34.8%. Again, if the Profit and Loss Statement was prepared on the old basis, the overall profit before tax would be \$6.8 million, a decrease of 17.0%.

As shown in the above table, other comprehensive income which affects the balance sheet and not the profit before tax had net unrealised losses of \$0.8 million instead of unrealised gain of \$9.2 million in the corresponding period last year. The decrease was mainly due to mark-to-market losses for bonds and equities caused by market sell-off in response to heightened concerns over inflation risk, rise in US Treasury yields and a potential trade war between the US and China.

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7. Review of performance (continued)

1st Quarter 2018 ("1Q2018") versus 1st Quarter 2017 ("1Q2017") (continued)

Overall, total comprehensive income decreased by \$12.5 million or 76.8% to \$3.8 million, when compared to the corresponding period last year due mainly to lower underwriting and investment results.

Net asset value per share rose from \$5.74 in 1Q2017 to \$6.23 this quarter, a growth of 8.5%. This increase in value reflected the continued contribution from total comprehensive income.

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

The Company will continue to face challenges given the many uncertainties in the global, regional and Singapore economies. Intensifying competition in the local insurance market resulted in lower premiums because of inadequate pricing of risks. To maintain and sustain a strong underwriting position, the Company's strategy is to leverage on its competitive advantage in bancassurance, step up diversification of distribution channels and further digitalisation of insurance services and operations.

On the investment front, the many uncertainties globally will continue to influence investment markets and affect returns.

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 \$9.3 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 first quarter ended 31 March 2018 are the same as those applied in the audited financial statements for the financial year ended 31 December 2017.

10. Dividend

No dividend has been declared for the quarter ended 31 March 2018.

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 March 2018 (31 March 2017: nil).

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12. Interested person transactions

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

13. Confirmation by directors

The Board of Directors of the Company hereby confirm that, to the best of their knowledge, nothing has come to its attention which may render the unaudited financial results for the first quarter ended 31 March 2018 to be false or misleading in any material aspect.

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.

BY ORDER OF THE BOARD

MRS VIVIEN CHAN
SECRETARY

Dated this 23rd April 2018