

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 2019

	1st Qtr 2019 \$'000	1st Qtr 2018 \$'000	Incr/ (Decr) %
(a) Gross premium written	27,856	27,189	2.5
Net earned premium	10,509	10,158	3.5
Net claims incurred	(3,106)	(3,141)	(1.1)
Net commission	1,901	1,474	29.0
Management expenses :			
Staff cost	(2,093)	(2,024)	3.4
Rental expenses	-	(327)	(100.0)
Depreciation	(350)	(22)	NM
Foreign exchange gain	8	67	(88.1)
Other operating expenses	(1,017)	(1,146)	(11.3)
Underwriting profit	5,852	5,039	16.1
Gross dividends from investments	261	254	2.8
Interest income from investments	1,863	1,963	(5.1)
Interest on fixed deposits and bank balances	192	86	123.3
Net (provision)/write-back of expected credit loss on debt securities at FVOCI	(3)	2	(250.0)
Amortisation of discount/(premium) on debt securities	3	(12)	(125.0)
Other income	25	-	NM
Net losses on interest rate futures - realised	(967)	-	NM
Net gains on interest rate futures - unrealised	565	-	NM
Net fair value gains/(losses) on mandatorily measured at fair value through profit or loss ("FVTPL") investments - unrealised	6,646	(1,463)	(554.3)
Net gains on disposal of mandatorily measured at FVTPL investments	64	-	NM
Net gains/(losses) on disposal of fair value through other comprehensive income ("FVOCI") investments	11	(18)	(161.1)
Net fair value gains on forward contracts - realised	1,629	3,391	(52.0)
Net fair value losses on forward contracts - unrealised	(1,104)	(610)	81.0
Exchange losses	(914)	(2,876)	(68.2)
	(389)	(95)	309.5
Management expenses not charged to insurance revenue account:			
Management fees	(263)	(255)	3.1
Other operating expenses	(279)	(153)	82.4
Non-underwriting income	7,729	309	NM
Profit before tax	13,581	5,348	153.9
Tax expense	(2,153)	(831)	159.1
Profit after tax	11,428	4,517	153.0
Profit attributable to equity holders of the Company	11,428	4,517	153.0
(b) Annualised earnings per share :			
Basic and diluted (cents)	74.75	29.54	153.1

Note : NM = Not Meaningful

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2. Unaudited statement of comprehensive income for the first quarter ended 31 March 2019

	1st Qtr 2019 \$'000	1st Qtr 2018 \$'000	Incr/ (Decr) %
Net profit	11,428	4,517	153.0
Other comprehensive income :			
Items that will not be reclassified to profit or loss :			
Net fair value loss on equity securities at FVOCI	(239)	-	NM
Tax related to the above	40	-	NM
	<u>(199)</u>	<u>-</u>	NM
Items that may be reclassified subsequently to profit or loss :			
Debt securities at FVOCI			
Changes in fair value	10,925	(922)	NM
Transfer to profit or loss on disposal	11	18	(38.9)
Changes in allowance for expected credit losses	3	(2)	(250.0)
Tax related to the above	(1,859)	154	NM
	<u>9,080</u>	<u>(752)</u>	NM
Other comprehensive income for the first quarter end 31 March, net of tax	<u>8,881</u>	<u>(752)</u>	NM
Total comprehensive income for the first quarter end 31 March, net of tax	<u>20,309</u>	<u>3,765</u>	439.4
Total comprehensive income attributable to equity holders of the Company	<u>20,309</u>	<u>3,765</u>	439.4

Note : NM = Not Meaningful

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3. Unaudited statement of financial position

	<u>31-Mar-19</u>	<u>31-Dec-18</u>
	\$'000	\$'000
(a) Share capital - Issued and fully paid	91,733	91,733
Reserves	<u>306,950</u>	<u>286,641</u>
	398,683	378,374
Liabilities		
Insurance creditors	16,771	15,516
Non-trade creditors and accrued liabilities	6,650	5,706
Lease liabilities	3,575	-
Amount owing to related companies	567	566
Derivative financial liabilities	799	882
Tax payable	8,661	6,562
Deferred tax liabilities	9,214	7,355
Deferred acquisition cost - reinsurers' share	9,626	9,470
Gross technical balances		
- Reserve for unexpired risks	58,009	56,170
- Reserve for outstanding claims	<u>129,134</u>	<u>130,123</u>
	243,006	232,350
	<u>641,689</u>	<u>610,724</u>
Assets		
Bank balances and fixed deposits	68,588	63,895
Insurance debtors	18,046	11,310
Non-trade debtors and accrued interest receivables	3,998	4,114
Derivative financial assets	24	645
Associated company	1	1
Investments	426,047	408,828
Fixed assets	179	203
Right-of-use assets	3,543	-
Deferred acquisition cost - gross	8,817	8,175
Reinsurers' share of technical balances		
- Reserve for unexpired risks	35,289	35,183
- Reserve for outstanding claims	<u>77,157</u>	<u>78,370</u>
	641,689	610,724
	<u>641,689</u>	<u>610,724</u>
(b) Net asset value per share (S\$)	6.52	6.19
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 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	-	-	-	11,428	11,428
Other comprehensive income for the quarter ended 31 March, net of tax	-	-	8,881	-	8,881
Total comprehensive income for the quarter ended 31 March, net of tax	-	-	8,881	11,428	20,309
Transfer of fair value reserves of equity securities at FVOCI upon disposal, net of tax	-	-	199	(199)	-
Balance at 31 March 2019	91,733	22,880	43,603	240,467	398,683
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	-	-	-	4,517	4,517
Profit net of tax	-	-	-	4,517	4,517
Other comprehensive income for the quarter ended 31 March, net of tax	-	-	(752)	-	(752)
Total comprehensive income for the quarter ended 31 March, net of tax	-	-	(752)	4,517	3,765
Balance at 31 March 2018	91,733	22,880	39,349	227,336	381,298

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5. Unaudited statement of cash flows

	1st Qtr <u>2019</u> \$'000	1st Qtr <u>2018</u> \$'000
Cash flows from operating activities		
Profit before tax	13,581	5,348
Adjustments for:		
Movement in net reserve for unexpired risks	1,733	1,076
Movement in net deferred acquisition costs	(486)	(379)
Movement in net reserve for outstanding claims	224	(183)
Depreciation	350	22
Interest paid	20	-
Net fair value losses on forward contracts-unrealised	1,104	610
Net gains on interest rate futures-unrealised	(565)	-
Net fair value (gains)/losses on mandatorily measured at FVTPL investments - unrealised	(6,646)	1,463
Net gains on disposal of mandatorily measured at FVTPL investments	(64)	-
Net (gains)/losses on disposal of FVOCI investments	(11)	18
Amortisation of (discount)/premium on investments	(3)	12
Net provision/(write-back) of expected credit loss on debts securities at FVOCI	3	(2)
Gross dividends from investments	(261)	(254)
Interest income from investments	(1,863)	(1,963)
Interest on fixed deposits and bank balances	(192)	(86)
Exchange losses	897	2,878
Operating profit before working capital changes	<u>7,821</u>	<u>8,560</u>
Changes in working capital:		
Trade and other receivables	(6,747)	(5,290)
Trade and other payables	2,198	(189)
Amount owing to related companies	1	(1,132)
Cash generated from operations	<u>3,273</u>	<u>1,949</u>
Tax paid	(14)	(13)
Interest paid	(20)	-
Net cash flow from operating activities	<u>3,239</u>	<u>1,936</u>
Cash flows from investing activities		
Proceeds from disposal of investments	41,672	4,824
Purchase of investments	(42,368)	(4,794)
(Placement in)/proceed from long-term fixed deposits	(1)	1,856
Dividend received from investments	281	295
Interest received from investments	1,962	1,840
Interest received on fixed deposits and bank balances	199	90
Net cash flow from investing activities	<u>1,745</u>	<u>4,111</u>
Cash flow from financing activity		
Leases paid	(292)	-
Cash flow used in financing activity	<u>(292)</u>	<u>-</u>
Net increase in cash and cash equivalents	<u>4,692</u>	<u>6,047</u>
Cash and cash equivalents at beginning of period	<u>61,466</u>	<u>45,860</u>
Cash and cash equivalents at end of period	<u><u>66,158</u></u>	<u><u>51,907</u></u>

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

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

	1st Qtr 2019 \$'000	1st Qtr 2018 \$'000
Cash and bank balances	18,213	18,180
Fixed deposits placement less than 3 months	47,945	33,727
Cash and cash equivalents	66,158	51,907
Fixed deposits placement more than 3 months	2,430	6,736
	68,588	58,643

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6. Segment information

	SIF \$'000	OIF \$'000	SHF \$'000	Total \$'000
<u>For 3 months ended 31 March 2019</u>				
Gross premium written	19,288	8,568	-	27,856
Net earned premium	6,872	3,637	-	10,509
Net claims incurred	(1,817)	(1,289)	-	(3,106)
Net commission	2,680	(779)	-	1,901
Management expenses	(3,110)	(342)	-	(3,452)
Underwriting profit	4,625	1,227	-	5,852
Gross dividends from investments	141	29	91	261
Interest income from investments	1,013	223	627	1,863
Interest on fixed deposits and bank balances	102	51	39	192
Net fair value gains on financial derivatives	62	12	49	123
Net fair value gains on mandatorily measured at FVTPL investments - unrealised	3,599	818	2,229	6,646
Net (losses)/gains on disposal of mandatorily measured at FVTPL investments	(3)	20	47	64
Net gains on disposal of FVOCI investments	6	1	4	11
Exchange losses	(497)	(111)	(306)	(914)
Other income	27	-	(2)	25
Miscellaneous management expenses not included in insurance revenue account - net	(182)	(40)	(320)	(542)
Profit before tax	8,893	2,230	2,458	13,581
Tax expense	(1,512)	(223)	(418)	(2,153)
Profit after tax	7,381	2,007	2,040	11,428
Segment total assets as at 31 March 2019	362,186	82,973	196,530	641,689
Segment total liabilities as at 31 March 2019	191,339	41,205	10,462	243,006
<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 mandatorily measured at FVTPL investments - unrealised	(782)	(174)	(507)	(1,463)
Net losses on disposal of FVOCI investments	(7)	(4)	(7)	(18)
Exchange losses	(1,560)	(339)	(977)	(2,876)
Other income	5	(12)	(3)	(10)
Miscellaneous management expenses not included in insurance revenue account - net	(143)	(30)	(235)	(408)
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

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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)).

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>1Q2019</u>	<u>1Q2018</u>	<u>1Q2019</u>	<u>1Q2018</u>
	\$'000	\$'000	\$'000	\$'000
Singapore	19,796	21,504	179	225
Asean	5,837	4,112	-	-
Others	2,223	1,573	-	-
	<u>27,856</u>	<u>27,189</u>	<u>179</u>	<u>225</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 2019	1st Quarter 2018	1Q19/ 1Q18
Gross premium written	27,856	27,189	+ 2.5
Net earned premium	10,509	10,158	+ 3.5
Net claims incurred	(3,106)	(3,141)	- 1.1
Net commission	1,901	1,474	+ 29.0
Management expenses	(3,452)	(3,452)	-
Underwriting profit	5,852	5,039	+ 16.1
Non-underwriting income	7,729	309	NM
Profit before tax	13,581	5,348	+ 153.9
Profit after tax	11,428	4,517	+ 153.0
Other comprehensive income, net of tax	8,881	(752)	NM
Total comprehensive income	20,309	3,765	+ 439.4
Net asset value per share (S\$)	6.52	6.23	+ 4.7

Note : NM = Not Meaningful

1st Quarter 2019 ("1Q2019") versus 1st Quarter 2018 ("1Q2018")

Gross premium increased by \$0.7 million or 2.5% to \$27.9 million attributable mainly to increase in fire and reinsurance classes of insurance. Net earned premium consequently increased by \$0.4 million or 3.5% to \$10.5 million. Net claims incurred reduced by \$35,000 or 1.1%. Net commission income increased by \$0.4 million or 29.0% to \$1.9 million due to higher reinsurance commission recoveries from reinsurers. Management expenses remained at \$3.5 million. Consequently, underwriting profit increased by 16.1% to \$5.9 million.

Non-underwriting income increased to \$7.7 million as compared to \$0.3 million in the corresponding period last year. The increase was mainly due to increase in unrealised fair value gains from the Company's investment in unit trusts and exchange traded funds.

Consequently, overall profit before tax increased by 153.9% to \$13.6 million.

As shown in the above table, other comprehensive income which affects the balance sheet and not the profit before tax had net unrealised gains of \$8.9 million instead of unrealised loss of \$0.8 million in the corresponding period last year, due to the recovery of stock market sentiments in the first quarter of 2019.

Overall, total comprehensive income increased by \$16.5 million or 439.4% to \$20.3 million, when compared to the corresponding period last year due mainly to improvement in both underwriting and investment results.

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

Within the local insurance market, the Company continues to face intensified competition. Amid such developments, the Company continues to exercise its time tested underwriting prudence as well as growing its bancassurance business, developing its intermediary distribution channels and stepping up on the digitalization of its insurance services.

In 1Q2019, investment markets recovered from its lows in 4Q2018. However, risks from uncertainties due to geopolitics and trade tensions remain. In the face of a more challenging operating environment, including likely slowing down in the local economy, the Company will continue to strive to grow its business professionally and to maintain a high standard of service. Despite the difficult environment, the Company will continue to endeavor to achieve better investment returns.

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 first quarter ended 31 March 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, which is effective for annual period beginning on or after 1 January 2019. On 1 January 2019, the Company recognised right-of-use assets of \$3.9 million and lease liabilities of \$3.5 million for its leases previously classified as operating leases. The right-of-use assets included an amount of \$0.4 million pertaining to reinstatement cost.

10. Dividend

No dividend has been declared for the quarter ended 31 March 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 March 2019 (31 March 2018 : nil).

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 2019 to be false or misleading in any material aspect.

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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 18 April 2019