

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 2017

	<u>2017</u> \$'000	<u>2016</u> \$'000	<u>Incr/</u> <u>(Decr)</u> %
(a) Gross premium written	<u>103,744</u>	<u>106,943</u>	(3.0)
Net earned premium	43,353	44,992	(3.6)
Less/(Add) :			
Net claims incurred	9,363	12,148	(22.9)
Net commission	(3,868)	(4,266)	(9.3)
Management expenses :			
Staff cost	7,780	7,508	3.6
Rental expenses	1,306	1,306	-
Depreciation	94	162	(42.0)
Foreign exchange loss	130	103	26.2
Other operating expenses	3,300	3,506	(5.9)
Underwriting profit	<u>25,248</u>	<u>24,525</u>	2.9
Gross dividends from investments	3,233	4,818	(32.9)
Interest income from investments	8,192	7,970	2.8
Interest on fixed deposits and bank balances	330	314	5.1
Amortisation of discount on available-for-sale investments	61	86	(29.1)
Miscellaneous income	34	27	25.9
Net fair value gains/(losses) on financial derivatives - realised	5,568	(2,043)	NM
Net fair value gains/(losses) on financial derivatives - unrealised	3,623	(1,651)	NM
Net gains/(losses) on disposal of available-for-sale investments	2,223	(5,119)	NM
Impairment losses on available-for-sale investments	-	(1,298)	(100.0)
(Less)/Add :			
Management expenses not charged to insurance revenue account:			
Management fees	(1,054)	(982)	7.3
Other operating expenses	(557)	(748)	(25.5)
Exchange differences	(8,353)	1,257	NM
Non-underwriting income	<u>13,300</u>	<u>2,631</u>	405.5
Profit before tax	38,548	27,156	42.0
Tax expense	(5,600)	(4,028)	39.0
Profit after tax	<u>32,948</u>	<u>23,128</u>	42.5
Profit attributable to equity holders of the Company	<u>32,948</u>	<u>23,128</u>	42.5

Note : NM = Not Meaningful

NEWS RELEASE

1. Audited income statement for the year ended 31 December 2017 (cont'd)

	<u>2017</u> \$'000	<u>2016</u> \$'000	Incr/ (Decr) %
(b) Gross premium income			
6 months ended 30 June	58,759	61,087	(3.8)
6 months ended 31 December	44,985	45,856	(1.9)
Total for the year	<u>103,744</u>	<u>106,943</u>	(3.0)
(c) Net profit after tax			
6 months ended 30 June	15,172	12,066	25.7
6 months ended 31 December	17,776	11,062	60.7
Total for the year	<u>32,948</u>	<u>23,128</u>	42.5
(d) Earnings per share :			
Basic and diluted (cents)	<u>53.88</u>	<u>37.82</u>	42.5

2. Audited statement of comprehensive income for the year ended 31 December 2017

	<u>2017</u> \$'000	<u>2016</u> \$'000	Incr/ (Decr) %
Net profit	32,948	23,128	42.5
Other comprehensive income :			
Items that may be reclassified subsequently to profit or loss			
Net gains on fair value changes of available-for-sale investments	24,129	12,943	86.4
Tax relating to available-for-sale investments	(4,103)	(2,192)	87.2
Other comprehensive income for the financial year, net of tax	<u>20,026</u>	<u>10,751</u>	86.3
Total comprehensive income attributable to equity holders of the Company	<u>52,974</u>	<u>33,879</u>	56.4

NEWS RELEASE

3. Audited statement of financial position

	<u>2017</u> \$'000	<u>2016</u> \$'000
(a) Share capital - Issued and fully paid	91,733	91,733
Reserves	<u>285,847</u>	<u>243,269</u>
	377,580	335,002
Liabilities		
Insurance creditors	13,755	21,163
Non-trade creditors and accrued liabilities	5,674	4,138
Amount owing to related companies	1,968	2,140
Derivative financial liabilities	-	1,775
Tax payable	8,334	7,478
Deferred tax liabilities	10,524	6,416
Deferred acquisition cost - reinsurers' share	9,354	9,298
Gross technical balances		
- Reserve for unexpired risks	64,153	62,972
- Reserve for outstanding claims	<u>155,414</u>	<u>156,363</u>
	269,176	271,743
	<u>646,756</u>	<u>606,745</u>
Assets		
Bank balances and fixed deposits	54,452	59,648
Insurance debtors	11,655	20,780
Non-trade debtors and accrued interest receivables	3,082	3,172
Derivative financial assets	1,849	1
Associated company	1	1
Available-for-sale investments	427,401	380,741
Fixed assets	247	224
Deferred acquisition cost - gross	8,074	7,940
Reinsurers' share of technical balances		
- Reserve for unexpired risks	42,362	39,635
- Reserve for outstanding claims	<u>97,633</u>	<u>94,603</u>
	646,756	606,745
	<u>646,756</u>	<u>606,745</u>
(b) Net asset value per share (S\$)	6.17	5.48
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	Available- for-sale investment reserve \$'000	Retained profits \$'000	Total \$'000
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	-	-	20,026	-	20,026
Total comprehensive income for the financial year	-	-	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
Balance at 1 January 2016	91,733	22,880	18,940	177,966	311,519
Profit net of tax	-	-	-	23,128	23,128
Other comprehensive income for the financial year	-	-	10,751	-	10,751
Total comprehensive income for the financial year	-	-	10,751	23,128	33,879
Dividend for Year 2015	-	-	-	(8,561)	(8,561)
Dividend for Year 2016	-	-	-	(1,835)	(1,835)
Balance at 31 December 2016	91,733	22,880	29,691	190,698	335,002

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5. Audited statement of cash flows

	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Cash flows from operating activities		
Profit before tax	38,548	27,156
Adjustments for:		
Movement in net reserve for unexpired risks	(1,546)	(416)
Movement in net deferred acquisition costs	(78)	(182)
Movement in net reserve for outstanding claims	(3,979)	(2,244)
Net fair value (gains)/losses on financial derivatives-unrealised	(3,623)	1,651
Depreciation	94	162
Net (gains)/losses on disposal of available-for-sale investments	(2,223)	5,119
Amortisation of discount on available-for-sale investments	(61)	(86)
Impairment losses on available-for-sale investments	-	1,298
Gross dividends from investments	(3,233)	(4,818)
Interest income from investments	(8,192)	(7,970)
Interest on fixed deposits and bank balances	(330)	(314)
Exchange differences	8,223	(1,241)
Operating profit before working capital changes	<u>23,600</u>	<u>18,115</u>
Changes in working capital:		
Trade and other receivables	9,121	(6,885)
Trade and other payables	(5,872)	6,818
Amount owing to related companies	(172)	(319)
Cash generated from operations	<u>26,677</u>	<u>17,729</u>
Tax paid	(4,738)	(2,638)
Net cash flow from operating activities	<u>21,939</u>	<u>15,091</u>
Cash flows from investing activities		
Proceeds from disposal of available-for-sale investments	193,057	195,275
Purchase of available-for-sale investments	(221,528)	(215,595)
Purchase of fixed assets	(117)	(54)
Placement in long-term fixed deposits	(3,255)	(3,151)
Gross dividends from investments	3,276	4,955
Interest income from investments	8,251	7,527
Interest on fixed deposits and bank balances	322	310
Net cash flow used in investing activities	<u>(19,994)</u>	<u>(10,733)</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>
Net decrease in cash and cash equivalents	<u>(8,451)</u>	<u>(6,038)</u>
Cash and cash equivalents at beginning of year	<u>54,311</u>	<u>60,349</u>
Cash and cash equivalents at end of year	<u><u>45,860</u></u>	<u><u>54,311</u></u>

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5. 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 :

	<u>2017</u> \$'000	<u>2016</u> \$'000
Cash and bank balances	16,527	10,057
Fixed deposits placement less than 3 months	29,333	44,254
Cash and cash equivalents	<u>45,860</u>	<u>54,311</u>
Fixed deposits placement more than 3 months	8,592	5,337
	<u><u>54,452</u></u>	<u><u>59,648</u></u>

NEWS RELEASE

6. Segment information

	<u>SIF</u> \$'000	<u>OIF</u> \$'000	<u>SHF</u> \$'000	<u>Total</u> \$'000
<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
Other income	63	9	23	95
Miscellaneous management expenses not included in insurance revenue account - net	(5,093)	(1,157)	(3,714)	(9,964)
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
<u>For Year 2016</u>				
Gross premium written	83,765	23,178	-	106,943
Net earned premium	33,645	11,347	-	44,992
Net claims incurred	6,736	5,412	-	12,148
Net commission	(6,172)	1,906	-	(4,266)
Management expenses	10,357	2,228	-	12,585
Underwriting profit	22,724	1,801	-	24,525
Gross dividends from investments	1,508	251	3,059	4,818
Interest income from investments	4,378	802	2,790	7,970
Interest on fixed deposits and bank balances	157	113	44	314
Net fair value losses on financial derivatives	(1,978)	(462)	(1,254)	(3,694)
Net (losses)/gains on disposal of available-for-sale investments	(4,483)	(718)	82	(5,119)
Impairment losses on available-for-sale investments	(736)	(116)	(446)	(1,298)
Other income	62	9	42	113
Miscellaneous (management expenses)/income not included in insurance revenue account - net	(35)	48	(486)	(473)
Profit before tax	21,597	1,728	3,831	27,156
Tax expense	(3,594)	(103)	(331)	(4,028)
Profit after tax	18,003	1,625	3,500	23,128
Segment total assets as at 31 December 2016	361,921	74,874	169,950	606,745
Segment total liabilities as at 31 December 2016	223,246	41,959	6,538	271,743

NEWS RELEASE

6. Segment information (cont'd)

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

Information about major external customer

For the year ended 31 December 2017 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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Singapore	82,164	86,013	247	224
Asean	16,379	15,295	-	-
Others	5,201	5,635	-	-
	103,744	106,943	247	224

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

NEWS RELEASE

7. Review of performance

Highlights and Performance Indicators

\$'000	2017	2016	2017/ 2016 %	4th Quarter 2017	4th Quarter 2016	4Q17/ 4Q16 %
Gross premium written	103,744	106,943	- 3.0	21,322	21,459	- 0.6
Net earned premium	43,353	44,992	- 3.6	11,732	11,404	+ 2.9
Net claims incurred	9,363	12,148	- 22.9	957	2,370	- 59.6
Net commission	3,868	4,266	- 9.3	3,531	2,658	+ 32.8
Management expenses	12,610	12,585	+ 0.2	2,840	3,017	- 5.9
Underwriting profit	25,248	24,525	+ 2.9	11,466	8,675	+ 32.2
Non-underwriting income/(loss)	13,300	2,631	+ 405.5	2,723	(546)	+ 598.7
Profit before tax	38,548	27,156	+ 42.0	14,189	8,129	+ 74.5
Profit after tax	32,948	23,128	+ 42.5	12,335	7,136	+ 72.9
Other comprehensive income, net of tax	20,026	10,751	+ 86.3	(10)	(1,312)	- 99.2
Total comprehensive income	52,974	33,879	+ 56.4	12,325	5,824	+ 111.6
Net asset value per share (\$)	6.17	5.48	+ 12.6	6.17	5.48	+ 12.6

2017 versus 2016

Gross premium decreased by \$3.2 million or 3.0% to \$103.7 million due mainly to the Company's portfolio pruning and more selective risk acceptance in view of inadequate premium pricings taking place despite deteriorating market experience in certain classes of business. Correspondingly, net earned premium decreased \$1.6 million or 3.6% to \$43.4 million as compared to that of the preceding year. Net claims incurred decreased by \$2.8 million or 22.9% reflecting qualitative improvement in the portfolio resulting from the more selective underwriting policy during the year. Net commission income decreased by \$0.4 million or 9.3%. Management expenses increased by \$25,000 or 0.2%. Consequently, underwriting profit increased by 2.9% to \$25.2 million due mainly to lower net claims incurred.

Non-underwriting income increased by \$10.7 million to \$13.3 million as compared to \$2.6 million in the corresponding period last year due to gains from sales of investments and foreign currency exchange and the absence of impairment provision made last year.

Overall profit before tax increased by 42.0% to \$38.5 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 from available-for-sale investments. These gains increased by \$9.3 million or 86.3% to \$20.0 million net of tax, due to improvement in the Company's investment results.

Overall, total comprehensive income grew to \$53.0 million, an increase of \$19.1 million or 56.4%, when compared to the corresponding period last year due mainly to better investment results. Consequently, net asset value per share was raised to \$6.17 or an increase of 12.6% as against the \$5.48 attained in the same period of last year.

NEWS RELEASE

7. Review of performance (Cont'd)

Highlights and Performance Indicators (cont'd)

4th Quarter 2017 ("4Q17") versus 4th Quarter 2016 ("4Q16")

The gross premium decreased by 0.6% to \$21.3 million. Net earned premium increased by 2.9% to \$11.7 million in 4Q17 as compared to 4Q16 due to the Company's increase in retention. Net claims incurred decreased by \$1.4 million or 59.6% due to improvement in claims experience. Net commission income increased by \$0.9 million to \$3.5 million. Management expenses was lower by \$0.2 million or 5.9%. Consequently, underwriting profit in 4Q17 increased by \$2.8 million or 32.2% to \$11.5 million. The Company recorded a non-underwriting gain of \$2.7 million due mainly to gains arising from disposal of investments. Profit before tax for 4Q17 increased by 74.5% to \$14.2 million due mainly to improvement in both underwriting profit and investment results.

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

Despite improving economic outlook locally and regionally, the general insurance market is not expected to benefit to any extent in light of continued intense competition resulting from unabated growth in worldwide market capacity. Premium rates are likely to continue its slide as to render it difficult to underwrite profitably in many lines of business. Digitised online service will increasingly become an essential part of insurance operations. It will add to the business cost but may not contribute substantially to non-life business growth initially.

On the investment front, the operating environment may become more conducive. However, many uncertainties remain globally, particularly in the area of geopolitics. Prudence will continue to be the best policy.

9. 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 2017 are the same as those adopted in the preceding year.

10. Dividend

The Directors recommend the payment of a final dividend of 14 cents per share (one-tier tax-exempt) and a special dividend of 5 cents per share (one-tier tax-exempt) (2016 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 2017.

Together with the interim dividend of 3 cents per share paid on 11 August 2017, the total dividend for the financial year ended 31 December 2017 would be 22 cents per share (2016 : 17 cents per share) amounting to a total net dividend payment of \$13.5 million (2016: \$10.4 million). If approved at the forthcoming Annual General Meeting, the proposed final dividend and special dividend amounting to \$11.6 million will be paid on 3 May 2018.

NEWS RELEASE

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 2017 (31 December 2016: 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.

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 13 April 2018, the Share Transfer Books and the Register of Members of the Company will be closed on 24 April 2018, 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 23 April 2018 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 5th February 2018