

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 2015

	<u>2015</u> \$'000	<u>2014</u> \$'000	<u>Incr/ (Decr)</u> %
(a) Gross premium written	<u>104,883</u>	<u>108,114</u>	(3.0)
Net earned premium	43,634	44,560	(2.1)
Less/(Add) :			
Net claims incurred	15,740	18,427	(14.6)
Net commissions	(4,527)	(892)	NM
Management expenses :			
Staff cost	7,236	7,035	2.9
Rental expenses	1,255	1,250	0.4
Depreciation	99	98	1.0
Foreign exchange loss	186	6	NM
Other operating expenses	<u>3,547</u>	<u>2,592</u>	36.8
Underwriting profit	<u>20,098</u>	<u>16,044</u>	25.3
Gross dividends from investments	5,831	5,826	0.1
Interest income from investments	6,602	6,691	(1.3)
Interest on fixed deposits and bank balances	230	109	111.0
Net gains on disposal of fixed assets	-	2	(100.0)
Amortisation of discount/(premium) on investments	53	(79)	NM
Miscellaneous income	52	75	(30.7)
Net fair value losses on financial derivatives - realised	(4,260)	(2,179)	95.5
Net fair value gains/(losses) on financial derivatives - unrealised	1,074	(354)	NM
Net gains on disposal of available-for-sale investments	353	5,812	(93.9)
Net gains on liquidation of subsidiary	-	2,184	(100.0)
Impairment losses on available-for-sale investments	(3,416)	-	NM
(Less)/Add :			
Management expenses not charged to insurance revenue account:			
Management fees	(936)	(968)	(3.3)
Other operating expenses	(482)	(460)	4.8
Exchange differences	<u>1,373</u>	<u>2,876</u>	(52.3)
Non-underwriting income	<u>6,474</u>	<u>19,535</u>	(66.9)
Profit before tax	<u>26,572</u>	<u>35,579</u>	(25.3)
Tax expense	(4,195)	(5,220)	(19.6)
Profit after tax	<u>22,377</u>	<u>30,359</u>	(26.3)
Profit attributable to equity holders of the Company	<u>22,377</u>	<u>30,359</u>	(26.3)

Note : NM = Not Meaningful

NEWS RELEASE

1. Audited income statement for the year ended 31 December 2015 (cont'd)

	<u>2015</u> \$'000	<u>2014</u> \$'000	Incr/ (Decr) %
(b) Gross premium income			
6 months ended 30 June	60,099	62,753	(4.2)
6 months ended 31 December	44,784	45,361	(1.3)
Total for the year	<u>104,883</u>	<u>108,114</u>	(3.0)
(c) Net profit after tax			
6 months ended 30 June	14,447	21,565	(33.0)
6 months ended 31 December	7,930	8,794	(9.8)
Total for the year	<u>22,377</u>	<u>30,359</u>	(26.3)
(d) Earnings per share :			
Basic and diluted (cents)	<u>36.59</u>	<u>49.64</u>	(26.3)

2. Audited statement of comprehensive income for the year ended 31 December 2015

	<u>2015</u> \$'000	<u>2014</u> \$'000	Incr/ (Decr) %
Net profit	22,377	30,359	(26.3)
Other comprehensive income :			
Items that may be reclassified subsequently to profit or loss			
Net (losses)/gains on fair value changes of available-for-sale investments	(4,222)	5,446	(177.5)
Income tax relating to available-for-sale investments	724	(936)	(177.4)
Other comprehensive income for the financial year, net of tax	<u>(3,498)</u>	<u>4,510</u>	(177.6)
Total comprehensive income attributable to equity holders of the Company	<u>18,879</u>	<u>34,869</u>	(45.9)

NEWS RELEASE

3. Audited statement of financial position

	<u>2015</u>	<u>2014</u>
	\$'000	\$'000
(a) Share capital - Issued and fully paid	91,733	91,733
Reserves	219,786	211,303
	311,519	303,036
Liabilities		
Insurance creditors	15,364	14,678
Non-trade creditors and accrued liabilities	3,119	2,990
Amount owing to related companies	2,459	2,094
Derivative financial liabilities	128	1,208
Tax payable	6,166	8,617
Deferred tax liabilities	4,146	4,545
Deferred acquisition cost - reinsurers' share	9,428	9,947
Gross technical balances		
- Reserve for unexpired risks	60,893	64,007
- Reserve for outstanding claims	144,013	165,748
	245,716	273,834
	557,235	576,870
Assets		
Bank balances and fixed deposits	62,535	60,284
Insurance debtors	13,912	12,074
Non-trade debtors and accrued interest receivables	2,845	2,954
Derivative financial assets	5	11
Associated company	1	1
Available-for-sale investments	352,568	353,423
Fixed assets	332	333
Deferred acquisition cost - gross	7,888	8,320
Reinsurers' share of technical balances		
- Reserve for unexpired risks	37,140	39,697
- Reserve for outstanding claims	80,009	99,773
	557,235	576,870
	557,235	576,870
(b) Net asset value per share (S\$)	5.09	4.96
Number of shares issued ('000)	61,155	61,155

NEWS RELEASE

4. Audited 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 2015	91,733	22,880	22,438	165,985	303,036
Profit net of tax	-	-	-	22,377	22,377
Other comprehensive income for the financial year	-	-	(3,498)	-	(3,498)
Total comprehensive income for the financial year	-	-	(3,498)	22,377	18,879
Dividend for Year 2014	-	-	-	(8,561)	(8,561)
Dividend for Year 2015	-	-	-	(1,835)	(1,835)
Balance at 31 December 2015	91,733	22,880	18,940	177,966	311,519
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

NEWS RELEASE

5. Audited statement of cash flows

	<u>2015</u>	<u>2014</u>
	\$'000	\$'000
Cash flows from operating activities		
Profit before tax	26,572	35,579
Adjustments for:		
Movement in net reserve for unexpired risks	(557)	(1,133)
Movement in net deferred acquisition costs	(87)	32
Movement in net outstanding claims	(1,971)	216
Net fair value (gains)/losses on financial derivatives-unrealised	(1,074)	354
Depreciation	99	98
Net gains on disposal of available-for-sale investments	(353)	(5,812)
Net gains on liquidation of subsidiary	-	(2,184)
Net gains on disposal of fixed assets	-	(2)
Amortisation of (discount)/premium on investments	(53)	79
Impairment losses on available-for-sale investments	3,416	-
Gross dividends from investments	(5,831)	(5,826)
Interest income from investments	(6,602)	(6,691)
Interest on fixed deposits and bank balances	(230)	(109)
Exchange differences	(1,361)	(2,675)
Operating profit before working capital changes	<u>11,968</u>	<u>11,926</u>
Changes in working capital:		
Trade and other receivables	(1,888)	(15)
Trade and other payables	815	(5,992)
Amount owing to/(from) related companies	365	(7,232)
Cash generated from operations	<u>11,260</u>	<u>(1,313)</u>
Tax paid	(6,321)	(2,405)
Net cash flow from/(used in) operating activities	<u>4,939</u>	<u>(3,718)</u>
Cash flows from investing activities		
Proceeds from disposal of available-for-sale investments	142,943	156,750
Proceeds from liquidation of subsidiary	-	7,124
Proceeds from disposal of fixed assets	-	2
Purchase of available-for-sale investments	(147,959)	(148,916)
Purchase of fixed assets	(98)	(175)
Proceeds from/(placement in) long-term fixed deposits	5,441	(4,229)
Unsecured term loans	-	13
Gross dividends from investments	6,035	5,489
Interest income from investments	6,568	6,738
Interest on fixed deposits and bank balances	219	104
Net cash flow from investing activities	<u>13,149</u>	<u>22,900</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 increase in cash and cash equivalents	<u>7,692</u>	<u>8,786</u>
Cash and cash equivalents at beginning of year	<u>52,657</u>	<u>43,871</u>
Cash and cash equivalents at end of year	<u><u>60,349</u></u>	<u><u>52,657</u></u>

NEWS RELEASE

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>2015</u> \$'000	<u>2014</u> \$'000
Cash and bank balances	7,951	13,708
Fixed deposits placement less than 3 months	<u>52,398</u>	<u>38,949</u>
Cash and cash equivalents	<u>60,349</u>	<u>52,657</u>
Fixed deposits placement more than 3 months	<u>2,186</u>	<u>7,627</u>
	<u><u>62,535</u></u>	<u><u>60,284</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 2015</u>				
Gross premium written	84,567	20,316	-	104,883
Net earned premium	33,644	9,990	-	43,634
Net claims incurred	9,706	6,034	-	15,740
Net commissions	(5,452)	925	-	(4,527)
Management expenses	10,289	2,034	-	12,323
Underwriting profit	19,101	997	-	20,098
Interest income from investments	3,685	666	2,251	6,602
Interest on fixed deposits and bank balances	112	75	43	230
Other (loss)/income - net	(887)	478	96	(313)
Miscellaneous income/(management expenses) not included in insurance revenue account - net	55	(155)	55	(45)
Profit before tax	22,066	2,061	2,445	26,572
Tax expense	(3,804)	(278)	(113)	(4,195)
Profit after tax	18,262	1,783	2,332	22,377
Segment total assets as at 31 December 2015	328,939	67,763	160,533	557,235
Segment total liabilities as at 31 December 2015	204,182	37,183	4,351	245,716
<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/(loss) - net	1,868	(36)	9,455	11,287
Miscellaneous income not included in insurance revenue account - net	718	131	599	1,448
Profit before tax	20,085	3,113	12,381	35,579
Tax expense	(3,867)	(378)	(975)	(5,220)
Profit after tax	16,218	2,735	11,406	30,359
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

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 2015 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	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Singapore	78,226	82,749	332	333
Asean	14,701	12,967	-	-
Others	4,261	4,898	-	-
	<u>97,188</u>	<u>100,614</u>	<u>332</u>	<u>333</u>

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

NEWS RELEASE

7. Review of performance

Highlights and Performance Indicators

\$'000	2015	2014	2015/ 2014 %	4th Quarter 2015	4th Quarter 2014	4Q15/ 4Q14 %
Gross premium written	104,883	108,114	- 3.0	20,823	22,646	- 8.1
Underwriting profit	20,098	16,044	+ 25.3	7,060	3,789	+ 86.3
Non-underwriting income/(loss)	6,474	19,535	- 66.9	(3,821)	(1,137)	NM
Profit before tax	26,572	35,579	- 25.3	3,239	2,652	+ 22.1

Note : NM = Not Meaningful

2015 versus 2014

Gross premium decreased by \$3.2 million or 3.0% to \$104.9 million due mainly to the qualitative pruning of portfolio by management to sustain profitability. Consequently, net earned premium decreased by \$0.9 million or 2.1% to \$43.6 million as compared to those of the preceding year. Management expenses increased significantly by \$1.3 million or 12.2% due to intensified marketing activities in face of increased market competition. However, improvement in claims experience resulted in decrease of net claims incurred by \$2.7 million or 14.6% and net commission income also increased by \$3.6 million to \$4.5 million. Consequently, underwriting profit increased by 25.3% to \$20.1 million due mainly to higher net commission income and lower net claims incurred.

Non-underwriting income decreased by \$13.1 million to \$6.5 million as compared to \$19.5 million in the corresponding period last year mainly due to impairment on available-for-sale investments and lower gains from sales of investments in a highly volatile investment environment.

Consequently, overall profit before tax decreased by 25.3% to \$26.6 million.

4th Quarter 2015 ("4Q15") versus 4th Quarter 2014 ("4Q14")

The gross premium decreased by 8.1% to \$20.8 million due mainly to portfolio pruning by management and consequently net earned premium decreased by 10.5% to \$10.4 million in 4Q15 as compared to 4Q14. Net claims incurred decreased by \$2.2 million or 40.7%. Net commission income increased by \$2.1 million to \$3.0 million. Management expenses was lower by \$0.3 million or 7.4%. Consequently, underwriting profit in 4Q15 increased by 86.3% or \$3.3 million. The Company recorded a non-underwriting loss of \$3.8 million due to impairment on available-for-sale investments and losses arising from disposal of investments. Profit before tax for 4Q15 increased by 22.1% to \$3.2 million due to higher underwriting income.

NEWS RELEASE

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

The expected slowdown in the Singapore and regional economies and intensifying competition in the domestic market will continue to affect premium growth for the industry. The worsening threats of terrorism, falling oil prices together with the many other uncertainties in geopolitical, economic and climatic conditions will render the operating environment even more challenging.

Similarly, the highly volatile investment environment globally will continue to be extremely challenging and expected to have adverse impact on earnings.

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 2015 are the same as those adopted in the preceding year.

10. 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) (2014 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 2015.

Together with the interim dividend of 3 cents per share paid on 25 August 2015, the total dividend for the financial year ended 31 December 2015 would be 17 cents per share (2014 : 17 cents per share) amounting to a total net dividend payment of \$10.4 million (2014: \$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 11 May 2016.

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 2015 (31 December 2014: nil).

12. Interested person transactions

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

NEWS RELEASE

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. 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 21 April 2016, the Share Transfer Books and the Register of Members of the Company will be closed from 3 May 2016 to 4 May 2016, 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 29 April 2016 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 2016