

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 nine months/third quarter ended 30 September 2017

	9 Months	9 Months	Incr/	3rd Qtr	3rd Qtr	Incr/
	2017	2016	(Decr)	2017	2016	(Decr)
	\$'000	\$'000	%	\$'000	\$'000	%
(a) Gross premium written	82,422	85,484	(3.6)	23,663	24,397	(3.0)
Net earned premium	31,621	33,588	(5.9)	10,688	11,165	(4.3)
Less/(Add) :						
Net claims incurred	8,406	9,778	(14.0)	5,084	3,790	34.1
Net commission	(337)	(1,608)	(79.0)	289	455	(36.5)
Management expenses :						
Staff cost	5,733	5,338	7.4	1,968	1,799	9.4
Rental expenses	979	979	-	326	326	-
Depreciation	74	131	(43.5)	17	34	(50.0)
Foreign exchange loss	152	118	28.8	67	21	219.0
Other operating expenses	2,832	3,002	(5.7)	810	1,031	(21.4)
Underwriting profit	13,782	15,850	(13.0)	2,127	3,709	(42.7)
Dividend income from investments	2,619	4,217	(37.9)	1,159	1,102	5.2
Interest income from investments	6,121	5,702	7.3	2,028	2,137	(5.1)
Interest on fixed deposits and bank balances	250	247	1.2	80	68	17.6
Amortisation of discount on available-for-sale investments	73	71	2.8	13	17	(23.5)
Miscellaneous income	27	26	3.8	1	1	-
Net fair value gains on financial derivatives - realised	5,203	1,930	169.6	3,068	799	284.0
Net fair value gains/(losses) on financial derivatives - unrealised	1,564	(671)	(333.1)	(1,539)	(1,411)	9.1
Net gains/(losses) on disposal of available-for-sale investments	1,790	(2,456)	(172.9)	313	(2,003)	(115.6)
Impairment losses on available-for-sale investments	-	(1,298)	(100.0)	-	-	-
(Less)/Add :						
Management expenses not charged to insurance revenue account:						
Management fees	(761)	(723)	5.3	(240)	(259)	(7.3)
Other operating expenses	(466)	(573)	(18.7)	(134)	(156)	(14.1)
Exchange differences	(5,843)	(3,295)	77.3	(371)	650	(157.1)
Non-underwriting income	10,577	3,177	232.9	4,378	945	363.3
Profit before tax	24,359	19,027	28.0	6,505	4,654	39.8
Tax expense	(3,746)	(3,035)	23.4	(1,064)	(728)	46.2
Profit after tax	20,613	15,992	28.9	5,441	3,926	38.6
Profit attributable to equity holders of the Company	20,613	15,992	28.9	5,441	3,926	38.6
(b) Annualised earnings per share :						
Basic and diluted (cents)	44.94	34.87	28.9	35.59	25.68	38.6

Note : NM = Not Meaningful

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2. Unaudited statement of comprehensive income for the nine months/third quarter ended 30 September 2017

	9 Months 2017 \$'000	9 Months 2016 \$'000	Incr/ (Decr) %	3rd Qtr 2017 \$'000	3rd Qtr 2016 \$'000	Incr/ (Decr) %
Net profit	<u>20,613</u>	<u>15,992</u>	28.9	<u>5,441</u>	<u>3,926</u>	38.6
Other comprehensive income :						
Items that may be reclassified subsequently to profit or loss						
Net gains on fair value changes of available-for-sale investments	24,152	14,526	66.3	4,659	9,725	(52.1)
Income tax relating to available-for-sale investments	(4,116)	(2,463)	67.1	(801)	(1,609)	(50.2)
Other comprehensive income for the nine months/3rd Quarter ended 30 September, net of tax	<u>20,036</u>	<u>12,063</u>	66.1	<u>3,858</u>	<u>8,116</u>	(52.5)
Total comprehensive income attributable to equity holders of the Company	<u>40,649</u>	<u>28,055</u>	44.9	<u>9,299</u>	<u>12,042</u>	(22.8)

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3. Unaudited statement of financial position

	<u>30-Sep-17</u>	<u>31-Dec-16</u>
	\$'000	\$'000
(a) Share capital - Issued and fully paid	91,733	91,733
Reserves	<u>273,522</u>	<u>243,269</u>
	365,255	335,002
Liabilities		
Insurance creditors	18,735	21,163
Non-trade creditors and accrued liabilities	6,222	4,138
Amount owing to related companies	988	2,140
Derivative financial liabilities	763	1,775
Tax payable	6,361	7,478
Deferred tax liabilities	10,532	6,416
Deferred acquisition cost - reinsurers' share	9,370	9,298
Gross technical balances		
- Reserve for unexpired risks	65,008	62,972
- Reserve for outstanding claims	<u>154,427</u>	<u>156,363</u>
	272,406	271,743
Total Equity and Liabilities	<u>637,661</u>	<u>606,745</u>
Assets		
Bank balances and fixed deposits	55,691	59,648
Insurance debtors	15,307	20,780
Non-trade debtors and accrued interest receivables	2,899	3,172
Derivative financial assets	553	1
Associated company	1	1
Available-for-sale investments	420,305	380,741
Fixed assets	176	224
Deferred acquisition cost - gross	8,344	7,940
Reinsurers' share of technical balances		
- Reserve for unexpired risks	40,263	39,635
- Reserve for outstanding claims	<u>94,122</u>	<u>94,603</u>
	637,661	606,745
(b) Net asset value per share (\$)	5.97	5.48
Number of shares issued ('000)	61,155	61,155

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4. Unaudited Company 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	-	-	-	20,613	20,613
Other comprehensive income for the nine months ended 30 September	-	-	20,036	-	20,036
Total comprehensive income for the nine months ended 30 September	-	-	20,036	20,613	40,649
Dividend for Year 2016	-	-	-	(8,561)	(8,561)
Dividend for Year 2017	-	-	-	(1,835)	(1,835)
Balance at 30 September 2017	91,733	22,880	49,727	200,915	365,255
Balance at 1 January 2016	91,733	22,880	18,940	177,966	311,519
Profit net of tax	-	-	-	15,992	15,992
Other comprehensive income for the nine months ended 30 September	-	-	12,063	-	12,063
Total comprehensive income for the nine months ended 30 September	-	-	12,063	15,992	28,055
Dividend for Year 2015	-	-	-	(8,561)	(8,561)
Dividend for Year 2016	-	-	-	(1,835)	(1,835)
Balance at 30 September 2016	91,733	22,880	31,003	183,562	329,178
Balance at 1 July 2017	91,733	22,880	45,869	197,309	357,791
Profit net of tax	-	-	-	5,441	5,441
Other comprehensive income for the quarter ended 30 September	-	-	3,858	-	3,858
Total comprehensive income for the quarter ended 30 September	-	-	3,858	5,441	9,299
Dividend for Year 2017	-	-	-	(1,835)	(1,835)
Balance at 30 September 2017	91,733	22,880	49,727	200,915	365,255
Balance at 1 July 2016	91,733	22,880	22,887	181,471	318,971
Profit net of tax	-	-	-	3,926	3,926
Other comprehensive income for the quarter ended 30 September	-	-	8,116	-	8,116
Total comprehensive income for the quarter ended 30 September	-	-	8,116	3,926	12,042
Dividend for Year 2016	-	-	-	(1,835)	(1,835)
Balance at 30 September 2016	91,733	22,880	31,003	183,562	329,178

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5. Unaudited statement of cash flows

	9 Months	9 Months	3rd Qtr	3rd Qtr
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Profit before tax	24,359	19,027	6,505	4,654
Adjustments for:				
Movement in net reserve for unexpired risks	1,408	2,422	(1,163)	(697)
Movement in net deferred acquisition costs	(332)	(362)	92	116
Movement in net outstanding claims	(1,455)	(1,603)	967	(483)
Net fair value (gains)/losses on financial derivatives				
- unrealised	(1,564)	671	1,539	1,411
Depreciation	74	131	17	34
Net (gains)/losses on disposal of available-for-sale investments	(1,790)	2,456	(313)	2,003
Amortisation of discount on available-for-sale investments	(73)	(71)	(13)	(17)
Impairment losses on available-for-sale investments	-	1,298	-	-
Dividend income from investments	(2,619)	(4,217)	(1,159)	(1,102)
Interest income from investments	(6,121)	(5,702)	(2,028)	(2,137)
Interest on fixed deposits and bank balances	(250)	(247)	(80)	(68)
Exchange differences	5,790	3,309	323	(647)
Operating profit before working capital changes	17,427	17,112	4,687	3,067
Changes in working capital:				
Trade and other receivables	5,742	(2,499)	2,409	1,472
Trade and other payables	(344)	511	(1,011)	(1,912)
Amount owing to related companies	(1,152)	(1,447)	(304)	(1)
Cash generated from operations	21,673	13,677	5,781	2,626
Tax paid	(4,863)	(3,549)	(2,262)	(1,567)
Net cash flows from operating activities	16,810	10,128	3,519	1,059
Cash flows from investing activities				
Proceeds from sale of available-for-sale investments	148,239	143,537	86,369	30,484
Purchase of available-for-sale investments	(167,578)	(168,185)	(91,978)	(43,664)
Purchase of fixed assets	(26)	(16)	(7)	(1)
Placement in long-term fixed deposits	(3,188)	(3,141)	(1,633)	(3,035)
Dividend income from investments	2,656	4,339	1,146	1,125
Interest income from investments	6,091	4,440	2,084	998
Interest on fixed deposits and bank balances	247	253	73	73
Net cash flows used in investing activities	(13,559)	(18,773)	(3,946)	(14,020)
Cash flows from financing activity				
Dividend paid	(10,396)	(10,396)	(1,835)	(1,835)
Cash flows used in financing activity	(10,396)	(10,396)	(1,835)	(1,835)
Net decrease in cash and cash equivalents	(7,145)	(19,041)	(2,262)	(14,796)
Cash and cash equivalents at beginning of period	54,311	60,349	49,428	56,104
Cash and cash equivalents at end of period	47,166	41,308	47,166	41,308

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

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 :

	9 Months	9 Months
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Cash and bank balances	21,697	9,132
Fixed deposits placement less than 3 months	25,469	32,176
Cash and cash equivalents	<u>47,166</u>	<u>41,308</u>
Fixed deposits placement more than 3 months	8,525	5,327
	<u><u>55,691</u></u>	<u><u>46,635</u></u>

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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 nine months ended 30 September 2017</u>				
Gross premium written	<u>61,992</u>	<u>20,430</u>	<u>-</u>	<u>82,422</u>
Net earned premium	22,085	9,536	-	31,621
Net claims incurred	6,895	1,511	-	8,406
Net commission	(2,184)	1,847	-	(337)
Management expenses	<u>8,155</u>	<u>1,615</u>	<u>-</u>	<u>9,770</u>
Underwriting profit	9,219	4,563	-	13,782
Dividend income from investments	869	139	1,611	2,619
Interest income from investments	3,321	661	2,139	6,121
Interest on fixed deposits and bank balances	134	78	38	250
Net fair value gains on financial derivatives	3,638	831	2,298	6,767
Net gains on disposal of available-for-sale investments	1,155	191	444	1,790
Other income	65	11	24	100
Management expenses not charged to insurance revenue account - net	<u>(3,582)</u>	<u>(836)</u>	<u>(2,652)</u>	<u>(7,070)</u>
Profit before tax	14,819	5,638	3,902	24,359
Tax expense	<u>(2,519)</u>	<u>(564)</u>	<u>(663)</u>	<u>(3,746)</u>
Profit after tax	<u>12,300</u>	<u>5,074</u>	<u>3,239</u>	<u>20,613</u>
Segment total assets as at 30 September 2017	366,497	81,751	189,413	637,661
Segment total liabilities as at 30 September 2017	220,741	42,716	8,949	272,406
<u>For nine months ended 30 September 2016</u>				
Gross premium written	<u>65,552</u>	<u>19,932</u>	<u>-</u>	<u>85,484</u>
Net earned premium	24,421	9,167	-	33,588
Net claims incurred	7,252	2,526	-	9,778
Net commission	(3,945)	2,337	-	(1,608)
Management expenses	<u>8,211</u>	<u>1,357</u>	<u>-</u>	<u>9,568</u>
Underwriting profit	12,903	2,947	-	15,850
Dividend income from investments	1,246	198	2,773	4,217
Interest income from investments	3,137	562	2,003	5,702
Interest on fixed deposits and bank balances	126	88	33	247
Net fair value gains on financial derivatives	767	99	393	1,259
Net (losses)/gains on disposal of available-for-sale investments	(2,975)	(531)	1,050	(2,456)
Impairment losses on available-for-sale investments	(736)	(116)	(446)	(1,298)
Other income	51	7	39	97
Management expenses not charged to insurance revenue account - net	<u>(2,386)</u>	<u>(401)</u>	<u>(1,804)</u>	<u>(4,591)</u>
Profit before tax	12,133	2,853	4,041	19,027
Tax expense	<u>(2,063)</u>	<u>(285)</u>	<u>(687)</u>	<u>(3,035)</u>
Profit after tax	<u>10,070</u>	<u>2,568</u>	<u>3,354</u>	<u>15,992</u>
Segment total assets as at 30 September 2016	340,059	74,714	170,174	584,947
Segment total liabilities as at 30 September 2016	208,585	40,729	6,455	255,769

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6. Segment information (cont'd)

	<u>SIF</u> \$'000	<u>OIF</u> \$'000	<u>SHF</u> \$'000	<u>Total</u> \$'000
<u>For 3 months ended 30 September 2017</u>				
Gross premium written	19,360	4,303	-	23,663
Net earned premium	7,616	3,072	-	10,688
Net claims incurred	3,626	1,458	-	5,084
Net commission	(368)	657	-	289
Management expenses	2,389	799	-	3,188
Underwriting profit	1,969	158	-	2,127
Dividend income from investments	374	61	724	1,159
Interest income from investments	1,092	228	708	2,028
Interest on fixed deposits and bank balances	44	26	10	80
Net fair value gains on financial derivatives	790	182	557	1,529
Net gains on disposal of available-for-sale investments	187	23	103	313
Other income	10	2	2	14
Management expenses not charged to insurance revenue account	(293)	(99)	(353)	(745)
Profit before tax	4,173	581	1,751	6,505
Tax expense	(709)	(58)	(297)	(1,064)
Profit after tax	3,464	523	1,454	5,441
Segment total assets as at 30 September 2017	366,497	81,751	189,413	637,661
Segment total liabilities as at 30 September 2017	220,741	42,716	8,949	272,406
<u>For 3 months ended 30 September 2016</u>				
Gross premium written	19,454	4,943	-	24,397
Net earned premium	8,122	3,043	-	11,165
Net claims incurred	3,382	408	-	3,790
Net commission	(307)	762	-	455
Management expenses	2,544	667	-	3,211
Underwriting profit	2,503	1,206	-	3,709
Dividend income from investments	333	49	720	1,102
Interest income from investments	1,174	212	751	2,137
Interest on fixed deposits and bank balances	30	28	10	68
Net fair value losses on financial derivatives	(344)	(56)	(212)	(612)
Net losses on disposal of available-for-sale investments	(1,088)	(275)	(640)	(2,003)
Other income	11	1	6	18
Miscellaneous income not included in insurance revenue account - net	183	27	25	235
Profit before tax	2,802	1,192	660	4,654
Tax expense	(477)	(119)	(132)	(728)
Profit after tax	2,325	1,073	528	3,926
Segment total assets as at 30 September 2016	340,059	74,714	170,174	584,947
Segment total liabilities as at 30 September 2016	208,585	40,729	6,455	255,769

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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 nine months/third quarter ended 30 September 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:

	Revenue for		Non-current assets as at	
	9 Months <u>2017</u> \$'000	9 Months <u>2016</u> \$'000	9 Months <u>2017</u> \$'000	9 Months <u>2016</u> \$'000
Singapore	64,554	67,304	176	217
Asean	13,776	13,441	-	-
Others	4,092	4,739	-	-
	<u>82,422</u>	<u>85,484</u>	<u>176</u>	<u>217</u>

	Revenue for		Non-current assets as at	
	3rd Qtr <u>2017</u> \$'000	3rd Qtr <u>2016</u> \$'000	3rd Qtr <u>2017</u> \$'000	3rd Qtr <u>2016</u> \$'000
Singapore	20,647	20,090	176	217
Asean	1,693	2,641	-	-
Others	1,323	1,666	-	-
	<u>23,663</u>	<u>24,397</u>	<u>176</u>	<u>217</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	9 Months 2017	9 Months 2016	9M17/9M16 %	3rd Quarter 2017	3rd Quarter 2016	3Q17/3Q16 %
Gross premium written	82,422	85,484	- 3.6	23,663	24,397	- 3.0
Net earned premium	31,621	33,588	- 5.9	10,688	11,165	- 4.3
Net claims incurred	8,406	9,778	- 14.0	5,084	3,790	+ 34.1
Net commission	(337)	(1,608)	- 79.0	289	455	- 36.5
Management expenses	9,770	9,568	+ 2.1	3,188	3,211	- 0.7
Underwriting profit	13,782	15,850	- 13.0	2,127	3,709	- 42.7
Non-underwriting income	10,577	3,177	+ 232.9	4,378	945	+ 363.3
Profit before tax	24,359	19,027	+ 28.0	6,505	4,654	+ 39.8
Profit after tax	20,613	15,992	+ 28.9	5,441	3,926	+ 38.6
Other comprehensive income, net of tax	20,036	12,063	+ 66.1	3,858	8,116	- 52.5
Total comprehensive income	40,649	28,055	+ 44.9	9,299	12,042	- 22.8
Net asset value per share (\$)	5.97	5.38	+ 11.0	5.97	5.38	+ 11.0

9 Months 2017 ("9M17") versus 9 Months 2016 ("9M16")

Gross premium decreased by \$3.1 million or 3.6% to \$82.4 million due mainly to the Company's portfolio pruning and more selective risk acceptance in light of drastically falling premium rates notwithstanding deteriorating market experience in certain classes of business. Correspondingly, net earned premium decreased by \$2.0 million or 5.9% as compared with the same period of last year. Net claims incurred decreased by \$1.4 million or 14.0% due to improvement in claims experience following portfolio pruning. Net commission income decreased by \$1.3 million or 79.0% due primarily to lower reinsurance commission recoveries from reinsurers. Management expenses increased by \$0.2 million or 2.1%. Consequently, underwriting profit decreased by \$2.1 million or 13.0% to \$13.8 million.

Non-underwriting income increased to \$10.6 million as against the \$3.2 million achieved in the corresponding period last year, due to gains from the sale of investments and foreign currency exchange and the absence of impairment provision made last year.

On a combined basis, profit before tax rose by \$5.3 million or 28.0% to \$24.4 million.

Under the other comprehensive income as shown in the above table which affects the balance sheet and not the profit before tax, the net unrealised gains from available-for-sale investments increased by \$8.0 million or 66.1% to \$20.0 million net of tax, due to improvement in the Company's investment results.

Overall, total comprehensive income grew to \$40.6 million, an increase of \$12.6 million or 44.9%, when compared against the corresponding period last year due mainly to better investment results. Consequently, net asset value per share was raised to \$5.97 or an increase of 11.0% as against the \$5.38 attained in the same period of last year.

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7. **Review of performance (cont'd)**

Highlights and Performance Indicators (cont'd)

3rd Quarter 2017 ("3Q17") versus 3rd Quarter 2016 ("3Q16")

The Company's gross premium decreased by \$0.7 million or 3.0% to \$23.7 million. Net earned premium decreased by \$0.5 million or 4.3% in 3Q17 as compared to 3Q16. Net claims incurred increased by \$1.3 million or 34.1%. Net commission was an expense of \$0.3 million. Consequently, underwriting profit in 3Q17 decreased by \$1.6 million or 42.7% to \$2.1 million.

The Company recorded a higher non-underwriting income of \$4.4 million in 3Q17 due mainly to gains from the sale of investments and exchange gain from hedging arrangement.

Profit before tax increased to \$6.5 million due to higher profit from non-underwriting income.

Total comprehensive income for 3Q17 was \$9.3 million, a decrease of \$2.7 million or 22.8% when compared with the same period last year due to lower net unrealised gains from available-for-sale investments.

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

Despite recent indications of improving economy due to increased exports, it is premature to be sanguine. Recovery appears patchy and attributable mainly to electronics, semi-conductor and bio-chemical segments. Intense competition resulting in underpricing of risks will continue to plague the market and squeeze profit margins. In addition, the unpredictability of likely worsening threats of climate change and terrorism will render the operating environment even more challenging.

The beneficial results from the portfolio restructuring will likely sustain in an environment continuing to be subjected to geopolitical and economic uncertainties.

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 nine months ended 30 September of 2017 are the same as those adopted in the preceding year.

10. **Dividend**

No dividend has been declared for the third quarter ended 30 September 2017.

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 30 September 2017 (30 September 2016: 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 nine months/third quarter ended 30 September 2017 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 20 October 2017