

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 half/second quarter ended 30 June 2016

	1st Half <u>2016</u> \$'000	1st Half <u>2015</u> \$'000	Incr/ <u>(Decr)</u> %	2nd Qtr <u>2016</u> \$'000	2nd Qtr <u>2015</u> \$'000	Incr/ <u>(Decr)</u> %
(a) Gross premiums written	<u>61,087</u>	<u>60,099</u>	1.6	<u>30,664</u>	<u>30,760</u>	(0.3)
Net earned premiums	<u>22,423</u>	21,955	2.1	<u>10,566</u>	10,085	4.8
Less/(Add) :						
Net claims incurred	<u>5,988</u>	7,200	(16.8)	<u>3,616</u>	4,346	(16.8)
Net commissions	<u>(2,063)</u>	(1,508)	36.8	<u>254</u>	(510)	(149.8)
Management expenses :						
Staff cost	<u>3,539</u>	3,417	3.6	<u>1,740</u>	1,694	2.7
Rental expenses	<u>653</u>	625	4.5	<u>326</u>	312	4.5
Depreciation	<u>97</u>	49	98.0	<u>40</u>	24	66.7
Foreign exchange loss	<u>97</u>	113	(14.2)	<u>104</u>	107	(2.8)
Other operating expenses	<u>1,971</u>	1,851	6.5	<u>784</u>	781	0.4
Underwriting profit	<u>12,141</u>	10,208	18.9	<u>3,702</u>	3,331	11.1
Gross dividends from investments	<u>3,115</u>	3,588	(13.2)	<u>2,603</u>	2,982	(12.7)
Interest income from investments	<u>3,565</u>	3,199	11.4	<u>1,847</u>	1,541	19.9
Interest on fixed deposits and bank balances	<u>179</u>	100	79.0	<u>89</u>	59	50.8
Amortisation of investments	<u>54</u>	7	NM	<u>20</u>	4	400.0
Miscellaneous income	<u>25</u>	20	25.0	<u>8</u>	20	(60.0)
Net fair value gains/(losses) financial derivatives - realised	<u>1,131</u>	(2,747)	(141.2)	<u>983</u>	(219)	NM
Net fair value gains/(losses) on financial derivatives - unrealised	<u>740</u>	1,012	(26.9)	<u>(876)</u>	907	(196.6)
Net (losses)/gains on disposal of available-for-sale investments	<u>(453)</u>	2,801	(116.2)	<u>(372)</u>	449	(182.9)
Impairment on available-for-sale investments (Less)/Add :	<u>(1,298)</u>	-	NM	<u>(1,298)</u>	-	NM
Management expenses not charged to insurance revenue account:						
Management fees	<u>(464)</u>	(476)	(2.5)	<u>(246)</u>	(237)	3.8
Other operating expenses	<u>(417)</u>	(321)	29.9	<u>(255)</u>	(148)	72.3
Exchange differences	<u>(3,945)</u>	(169)	NM	<u>(228)</u>	(2,600)	(91.2)
Non-underwriting income	<u>2,232</u>	7,014	(68.2)	<u>2,275</u>	2,758	(17.5)
Profit before tax	<u>14,373</u>	17,222	(16.5)	<u>5,977</u>	6,089	(1.8)
Tax expense	<u>(2,307)</u>	(2,775)	(16.9)	<u>(957)</u>	(999)	(4.2)
Profit after tax	<u>12,066</u>	14,447	(16.5)	<u>5,020</u>	5,090	(1.4)
Profit attributable to equity holders of the Company	<u>12,066</u>	14,447	(16.5)	<u>5,020</u>	5,090	(1.4)
(b) Annualised earnings per share :						
Basic and diluted (cents)	<u>39.46</u>	46.76	(15.6)	<u>32.83</u>	33.29	(1.4)

Note : NM = Not Meaningful

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2. Unaudited statement of comprehensive income for the first half/second quarter ended 30 June 2016

	1st Half 2016 \$'000	1st Half 2015 \$'000	Incr/ (Decr) %	2nd Qtr 2016 \$'000	2nd Qtr 2015 \$'000	Incr/ (Decr) %
Net profit	12,066	14,447	(16.5)	5,020	5,090	(1.4)
Other comprehensive income :						
Items that may be reclassified subsequently to profit or loss						
Net gains/(losses) on fair value changes of available-for-sale investments	4,801	1,519	216.1	4,890	(1,756)	(378.5)
Income tax relating to available-for-sale investments	(854)	(250)	241.6	(878)	270	(425.2)
Other comprehensive income for the first half year/2nd Quarter ended 30 June, net of tax	<u>3,947</u>	<u>1,269</u>	211.0	<u>4,012</u>	<u>(1,486)</u>	(370.0)
Total comprehensive income attributable to equity holders of the Company	<u>16,013</u>	<u>15,716</u>	1.9	<u>9,032</u>	<u>3,604</u>	150.6

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3. Unaudited statement of financial position

	<u>30-Jun-16</u> \$'000	<u>31-Dec-15</u> \$'000
(a) Share capital - Issued and fully paid	91,733	91,733
Reserves	<u>227,238</u>	<u>219,786</u>
	318,971	311,519
Liabilities		
Insurance creditors	16,840	15,364
Non-trade creditors and accrued liabilities	4,066	3,119
Amount owing to related companies	1,013	2,459
Derivative financial liabilities	20	128
Tax payable	6,491	6,166
Deferred tax liabilities	5,000	4,146
Deferred acquisition cost - reinsurers' share	9,957	9,428
Gross technical balances		
- Reserve for unexpired risks	66,949	60,893
- Reserve for outstanding claims	<u>145,723</u>	<u>144,013</u>
	256,059	245,716
Total Equity and Liabilities	<u>575,030</u>	<u>557,235</u>
Assets		
Bank balances and fixed deposits	58,396	62,535
Insurance debtors	18,162	13,912
Non-trade debtors and accrued interest receivables	2,587	2,845
Derivative financial assets	638	5
Associated company	1	1
Available-for-sale investments	363,185	352,568
Fixed assets	250	332
Deferred acquisition cost - gross	8,895	7,888
Reinsurers' share of technical balances		
- Reserve for unexpired risks	40,077	37,140
- Reserve for outstanding claims	<u>82,839</u>	<u>80,009</u>
Total Assets	<u>575,030</u>	<u>557,235</u>
(b) Net asset value per share (S\$)	5.22	5.09
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 2016	91,733	22,880	18,940	177,966	311,519
Profit net of tax	-	-	-	12,066	12,066
Other comprehensive income for the six months ended 30 June	-	-	3,947	-	3,947
Total comprehensive income for the six months ended 30 June	-	-	3,947	12,066	16,013
Dividend for Year 2015	-	-	-	(8,561)	(8,561)
Balance at 30 June 2016	91,733	22,880	22,887	181,471	318,971
Balance at 1 January 2015	91,733	22,880	22,438	165,985	303,036
Profit net of tax	-	-	-	14,447	14,447
Other comprehensive income for the six months ended 30 June	-	-	1,269	-	1,269
Total comprehensive income for the six months ended 30 June	-	-	1,269	14,447	15,716
Dividend for Year 2014	-	-	-	(8,561)	(8,561)
Balance at 30 June 2015	91,733	22,880	23,707	171,871	310,191
Balance at 1 April 2016	91,733	22,880	18,875	185,012	318,500
Profit net of tax	-	-	-	5,020	5,020
Other comprehensive income for the quarter ended 30 June	-	-	4,012	-	4,012
Total comprehensive income for the quarter ended 30 June	-	-	4,012	5,020	9,032
Dividend for Year 2015	-	-	-	(8,561)	(8,561)
Balance at 30 June 2016	91,733	22,880	22,887	181,471	318,971
Balance at 1 April 2015	91,733	22,880	25,193	175,342	315,148
Profit net of tax	-	-	-	5,090	5,090
Other comprehensive income for the quarter ended 30 June	-	-	(1,486)	-	(1,486)
Total comprehensive income for the quarter ended 30 June	-	-	(1,486)	5,090	3,604
Dividend for Year 2014	-	-	-	(8,561)	(8,561)
Balance at 30 June 2015	91,733	22,880	23,707	171,871	310,191

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5. Unaudited statement of cash flows

	1st Half	1st Half	2nd Qtr	2nd Qtr
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Profit before tax	14,373	17,222	5,977	6,089
Adjustments for:				
Movement in net reserve for unexpired risks	3,119	2,195	1,286	975
Movement in net deferred acquisition costs	(478)	(200)	(173)	346
Movement in net outstanding claims	(1,120)	(2,333)	577	76
Net fair value (gains)/losses on financial derivatives-unrealised	(740)	(1,012)	876	(907)
Depreciation	97	49	40	24
Net losses/(gains) on disposal of available-for-sale investments	453	(2,801)	372	(449)
Amortisation of investments	(54)	(7)	(20)	(4)
Impairment on available-for-sale investments	1,298	-	1,298	-
Gross dividends from investments	(3,115)	(3,588)	(2,603)	(2,982)
Interest income from investments	(3,565)	(3,199)	(1,847)	(1,541)
Interest on fixed deposits and bank balances	(179)	(100)	(89)	(59)
Exchange differences	3,956	267	202	2,512
Operating profit before working capital changes	14,045	6,493	5,896	4,080
Changes in working capital:				
Trade and other receivables	(3,971)	(8,451)	(1,471)	(3,685)
Trade and other payables	2,423	5,880	3,683	2,129
Amount owing to related companies	(1,446)	(1,220)	47	251
Cash generated from operations	11,051	2,702	8,155	2,775
Tax paid	(1,982)	(3,108)	(1,634)	(3,030)
Net cash flow from/(used in) operating activities	9,069	(406)	6,521	(255)
Cash flows from investing activities				
Proceeds from sale of available-for-sale investments	113,053	109,990	56,275	75,217
Purchase of available-for-sale investments	(124,521)	(98,158)	(75,956)	(77,533)
Purchase of fixed assets	(15)	(59)	(15)	(56)
(Placement in)/proceeds from long-term fixed deposits	(106)	(3,034)	1,400	(2,019)
Gross dividends from investments	3,214	2,738	2,473	2,180
Interest income from investments	3,442	3,413	2,213	2,152
Interest on fixed deposits and bank balances	180	94	91	66
Net cash flow (used in)/from investing activities	(4,753)	14,984	(13,519)	7
Cash flow from financing activity				
Dividend paid	(8,561)	(8,561)	(8,561)	(8,561)
Cash flow used in financing activity	(8,561)	(8,561)	(8,561)	(8,561)
Net (decrease)/increase in cash and cash equivalents	(4,245)	6,017	(15,559)	(8,809)
Cash and cash equivalents at beginning of period	60,349	52,657	71,663	67,483
Cash and cash equivalents at end of period	56,104	58,674	56,104	58,674

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5. Unaudited 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 period :

	1st Half <u>2016</u> \$'000	1st Half <u>2015</u> \$'000
Cash and bank balances	11,587	18,102
Fixed deposits placement less than 3 months	<u>44,517</u>	<u>40,572</u>
Cash and cash equivalents	56,104	58,674
Fixed deposits placement more than 3 months	<u>2,292</u>	<u>10,661</u>
	<u><u>58,396</u></u>	<u><u>69,335</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 first half year ended 30 June 2016</u>				
Gross premiums written	46,098	14,989	-	61,087
Net earned premiums	16,299	6,124	-	22,423
Net claims incurred	3,870	2,118	-	5,988
Net commissions	(3,638)	1,575	-	(2,063)
Management expenses	5,667	690	-	6,357
Underwriting profit	10,400	1,741	-	12,141
Interest income from investments	1,963	350	1,252	3,565
Interest on fixed deposits and bank balances	96	60	23	179
Other (loss)/income - net	(559)	(62)	3,935	3,314
Management expenses not charged to insurance revenue account - net	(2,569)	(428)	(1,829)	(4,826)
Profit before tax	9,331	1,661	3,381	14,373
Tax expense	(1,586)	(166)	(555)	(2,307)
Profit after tax	7,745	1,495	2,826	12,066
Segment total assets as at 30 June 2016	332,482	76,799	165,749	575,030
Segment total liabilities as at 30 June 2016	205,908	44,748	5,403	256,059
<u>For first half year ended 30 June 2015</u>				
Gross premiums written	46,709	13,390	-	60,099
Net earned premiums	16,739	5,216	-	21,955
Net claims incurred	5,208	1,992	-	7,200
Net commissions	(2,611)	1,103	-	(1,508)
Management expenses	5,430	625	-	6,055
Underwriting profit	8,712	1,496	-	10,208
Interest income from investments	1,782	318	1,099	3,199
Interest on fixed deposits and bank balances	51	31	18	100
Other income - net	2,232	476	1,973	4,681
Management expenses not charged to insurance revenue account - net	(394)	(149)	(423)	(966)
Profit before tax	12,383	2,172	2,667	17,222
Tax expense	(2,105)	(217)	(453)	(2,775)
Profit after tax	10,278	1,955	2,214	14,447
Segment total assets as at 30 June 2015	353,734	70,066	165,353	589,153
Segment total liabilities as at 30 June 2015	233,809	39,066	6,087	278,962

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6. Segment information (cont'd)

	SIF \$'000	OIF \$'000	SHF \$'000	Total \$'000
<u>For 3 months ended 30 June 2016</u>				
Gross premiums written	22,266	8,398	-	30,664
Net earned premiums	8,158	2,408	-	10,566
Net claims incurred	2,443	1,173	-	3,616
Net commissions	(194)	448	-	254
Management expenses	2,596	398	-	2,994
Underwriting profit	3,313	389	-	3,702
Interest income from investments	1,019	182	646	1,847
Interest on fixed deposits and bank balances	44	31	14	89
Other (loss)/income - net	(23)	14	1,077	1,068
Management expenses not charged to insurance revenue account - net	(352)	(60)	(317)	(729)
Profit before tax	4,001	556	1,420	5,977
Tax expense	(680)	(55)	(222)	(957)
Profit after tax	3,321	501	1,198	5,020
Segment total assets as at 30 June 2016	332,482	76,799	165,749	575,030
Segment total liabilities as at 30 June 2016	205,908	44,748	5,403	256,059
<u>For 3 months ended 30 June 2015</u>				
Gross premiums written	23,203	7,557	-	30,760
Net earned premiums	8,011	2,074	-	10,085
Net claims incurred	3,155	1,191	-	4,346
Net commissions	(809)	299	-	(510)
Management expenses	2,590	328	-	2,918
Underwriting profit	3,075	256	-	3,331
Interest income from investments	864	154	523	1,541
Interest on fixed deposits and bank balances	30	17	12	59
Other income - net	2,183	376	1,584	4,143
Management expenses not charged to insurance revenue account - net	(1,591)	(298)	(1,096)	(2,985)
Profit before tax	4,561	505	1,023	6,089
Tax expense	(775)	(50)	(174)	(999)
Profit after tax	3,786	455	849	5,090
Segment total assets as at 30 June 2015	353,734	70,066	165,353	589,153
Segment total liabilities as at 30 June 2015	233,809	39,066	6,087	278,962

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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 first half/second quarter ended 30 June 2016 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>1st Half</u> <u>2016</u> \$'000	<u>1st Half</u> <u>2015</u> \$'000	<u>1st Half</u> <u>2016</u> \$'000	<u>1st Half</u> <u>2015</u> \$'000
Singapore	47,214	47,442	250	343
Asean	10,800	10,516	-	-
Others	3,073	2,141	-	-
	<u>61,087</u>	<u>60,099</u>	<u>250</u>	<u>343</u>

	<u>Revenue for</u>		<u>Non-current assets as at</u>	
	<u>2nd Qtr</u> <u>2016</u> \$'000	<u>2nd Qtr</u> <u>2015</u> \$'000	<u>2nd Qtr</u> <u>2016</u> \$'000	<u>2nd Qtr</u> <u>2015</u> \$'000
Singapore	22,834	23,642	250	343
Asean	7,039	6,555	-	-
Others	791	563	-	-
	<u>30,664</u>	<u>30,760</u>	<u>250</u>	<u>343</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 Half 2016	1st Half 2015	1H16/ 1H15 %	2nd Quarter 2016	2nd Quarter 2015	2Q16/ 2Q15 %
Gross premiums written	61,087	60,099	+ 1.6	30,664	30,760	- 0.3
Net earned premiums	22,423	21,955	+ 2.1	10,566	10,085	+ 4.8
Net claims incurred	5,988	7,200	- 16.8	3,616	4,346	-16.8
Net commissions	(2,063)	(1,508)	+36.8	254	(510)	- 149.8
Management expenses	6,357	6,055	+ 5.0	2,994	2,918	+ 2.6
Underwriting profit	12,141	10,208	+18.9	3,702	3,331	+11.1
Non-underwriting income	2,232	7,014	- 68.2	2,275	2,758	- 17.5
Profit before tax	14,373	17,222	- 16.5	5,977	6,089	-1.8

Gross premiums increased by \$1.0 million or 1.6% to \$61.1 million due mainly to organic growth and increase in new business. Net earned premiums increased by \$0.5 million or 2.1% as compared with the same period of last year. Net claims incurred decreased by \$1.2 million or 16.8% due to improvement in claims experience. Net commission income increased by \$0.6 million or 36.8% due to increase in reinsurance commission recovery from reinsurers.

Consequently, underwriting profit increased by \$1.9 million or 18.9% to \$12.1 million due mainly to lower net claims incurred and higher net earned premiums and net commission income.

Non-underwriting income decreased to \$2.2 million from \$7.0 million when compared against the corresponding period last year due to losses from the sales of investments and impairment on available-for-sale investments. Consequently, profit before tax was lower by \$2.8 million or 16.5% to \$14.4 million.

2nd Quarter 2016 ("2Q16") versus 2nd Quarter 2015 ("2Q15")

The Company's gross premiums decreased slightly by \$0.1 million or 0.3% to \$30.7 million due mainly to portfolio pruning by management. Net earned premiums increased by \$0.5 million or 4.8% in 2Q16 as compared to 2Q15. Net claims incurred decreased by \$0.7 million or 16.8%. Net commission was an expense of \$0.3 million. Consequently, underwriting profit in 2Q16 increased by \$0.4 million or 11.1% to \$3.7 million.

The Company recorded a lower non-underwriting income of \$2.3 million in 2Q16 due mainly to losses from the sales of investments and impairment on available-for-sale investments in the current quarter.

Profit before tax decreased by \$0.1 million to \$6.0 million due to lower gains from non-underwriting income.

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

The slowing down in regional economies compounded by continuing intense competition will dampen insurance premium growth. Worsening intensity of natural disasters triggered off by climate change may have adverse impact on claims experience under the offshore portfolio.

Economic and geopolitical uncertainties globally especially the consequential impact of Brexit will continue to render it difficult to achieve reasonable investment returns.

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 first half of 2016 are the same as those adopted in the preceding year.

10. Dividend

The Directors are pleased to declare an interim dividend of 3 cents per share (one-tier tax-exempt) in respect of the current financial year (2015 interim dividend : 3 cents per share - one-tier tax-exempt). The total interim dividend would amount to \$1.83 million. The dividend will be paid on 12 August 2016.

11. Closure of books

Notice is hereby given that the Share Transfer Books and the Register of Members of the Company will be closed on 3 August 2016, 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 2 August 2016 will be registered for the interim dividend. In respect of ordinary shares in securities accounts with The Central Depository (Pte) Limited ("CDP"), the interim dividend will be paid by the Company to CDP which will in turn distribute the dividend to holders of the securities accounts.

12. 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 June 2016 (30 June 2015: nil).

13. Interested person transactions

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

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14. 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 half/second quarter ended 30 June 2016 to be false or misleading.

15. 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 22 July 2016