

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 2010

	Group					
	1st Half <u>2010</u> \$'000	1st Half <u>2009</u> \$'000	Incr/ <u>(Decr)</u> %	2nd Qtr <u>2010</u> \$'000	2nd Qtr <u>2009</u> \$'000	Incr/ <u>(Decr)</u> %
(a) Gross premiums written	<u>51,484</u>	<u>50,566</u>	1.8	<u>27,988</u>	<u>26,553</u>	5.4
Net earned premiums	16,211	11,988	35.2	6,948	4,825	44.0
Less/(Add) :						
Net claims incurred	4,079	3,253	25.4	1,713	2,102	(18.5)
Net commissions	(584)	(1,556)	(62.5)	(233)	(704)	(66.9)
Management expenses :						
Staff cost	2,372	2,154	10.1	1,210	1,077	12.3
Rental expenses	404	327	23.5	202	164	23.2
Management fees	30	34	(11.8)	12	11	9.1
Depreciation	70	60	16.7	36	30	20.0
Foreign exchange (gain)/loss	(36)	(2)	NM	(8)	13	(161.5)
Other operating expenses	979	423	131.4	784	101	676.2
Underwriting profit	<u>8,897</u>	<u>7,295</u>	22.0	<u>3,232</u>	<u>2,031</u>	59.1
Gross dividends from investments	1,968	1,370	43.6	1,776	1,190	49.2
Interest income from investments	1,720	1,653	4.1	861	880	(2.2)
Interest on fixed deposits and bank balances	136	183	(25.7)	67	77	(13.0)
Amortisation of Investments	(5)	52	(109.6)	-	52	(100.0)
Miscellaneous income	7	7	-	4	3	33.3
Net gains on available-for-sale investments	7,873	2,184	260.5	1,145	1,825	(37.3)
Less/(Add) :						
Management expenses not charged to insurance revenue account:						
Management fees	294	244	20.5	155	126	23.0
Other operating expenses	127	108	17.6	64	61	4.9
Exchange differences	(184)	(342)	(46.2)	(63)	(473)	(86.7)
Profit before tax	<u>20,359</u>	<u>12,734</u>	59.9	<u>6,929</u>	<u>6,344</u>	9.2
Less : Tax expense	2,366	2,111	12.1	1,125	965	16.6
Net profit	<u>17,993</u>	<u>10,623</u>	69.4	<u>5,804</u>	<u>5,379</u>	7.9
Note : NM = Not Meaningful						
(b) Annualised earnings per share (cents) - basic & diluted	49.4	34.7		38.0	35.2	

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2. Unaudited statement of comprehensive income for the first half/second quarter ended 30 June 2010

	Group	
	1st Half 2010 \$'000	1st Half 2009 \$'000
Net profit	17,993	10,623
Other comprehensive income :		
Foreign currency translation difference	(54)	80
Net (losses)/gains on available-for-sale investments	(5,674)	10,182
Income tax relating to available-for-sale investments	972	(1,711)
Other comprehensive income for the first half, net of tax	(4,756)	8,551
Total comprehensive income for the first half ended 30 June	13,237	19,174
Total comprehensive income attributable to: Equity holders of the Company	13,237	19,174

	Group	
	2nd Qtr 2010 \$'000	2nd Qtr 2009 \$'000
Net profit	5,804	5,379
Other comprehensive income :		
Foreign currency translation difference	(29)	(333)
Net (losses)/gains on available-for-sale investments	(6,731)	13,104
Income tax relating to available-for-sale investments	1,152	(2,228)
Other comprehensive income for the quarter, net of tax	(5,608)	10,543
Total comprehensive income for the quarter ended 30 June	196	15,922
Total comprehensive income attributable to: Equity holders of the Company	196	15,922

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3. Unaudited statement of financial position

	Group		Company	
	30-Jun-10	31-Dec-09	30-Jun-10	31-Dec-09
	\$'000	\$'000	\$'000	\$'000
(a) Share capital - Issued & fully paid	91,733	91,733	91,733	91,733
Reserves	128,925	123,027	126,547	120,593
	220,658	214,760	218,280	212,326
Deferred tax liabilities	3,723	4,695	3,723	4,695
Gross technical balances				
Reserve for unexpired risks	53,912	45,528	53,493	45,211
Provision for outstanding claims	118,010	123,969	116,242	122,081
	171,922	169,497	169,735	167,292
Current liabilities				
Insurance creditors	18,716	10,705	18,573	10,661
Non-trade creditors & accrued liabilities	3,827	3,191	3,777	3,046
Deferred acquisition cost-reinsurers' share	6,672	5,997	6,606	5,944
Amount owing to related companies				
- non-trade	38	124	48	217
Tax payables	6,458	7,045	6,433	7,021
	35,711	27,062	35,437	26,889
Total equity and liabilities	432,014	416,014	427,175	411,202
Fixed assets	465	369	465	369
Investment in subsidiary	-	-	4,940	4,940
Available-for-sale investments	211,334	205,708	211,334	205,708
Statutory deposit	500	500	500	500
Unsecured term loan	21	21	21	21
Reinsurers' share of technical balances				
Reserve for unexpired risks	28,098	24,522	27,784	24,298
Provision for outstanding claims	70,241	75,861	68,971	74,480
	98,339	100,383	96,755	98,778
Current assets				
Insurance debtors	15,892	8,889	15,766	8,762
Deferred acquisition cost-gross	5,763	5,153	5,660	5,069
Non-trade debtors and accrued interest receivable	1,805	1,934	1,796	1,926
Amount owing by related companies	-	17	-	17
Bank balances and fixed deposits	97,895	93,040	89,938	85,112
	121,355	109,033	113,160	100,886
Total assets	432,014	416,014	427,175	411,202
(b) Net asset value per share (S\$)	3.61	3.51	3.57	3.47
Number of shares issued ('000)	61,155	61,155	61,155	61,155

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4. Unaudited Group statement of changes in equity

	Share capital	General reserve	Available- for-sale investment reserve	Foreign currency translation reserve	Retained profits	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2010	91,733	20,880	22,000	(775)	80,922	214,760
Profit net of tax	-	-	-	-	17,993	17,993
Other comprehensive income for the six months ended 30 June	-	-	(4,702)	(54)	-	(4,756)
Total comprehensive income for the six months ended 30 June	-	-	(4,702)	(54)	17,993	13,237
Dividend for Year 2009	-	-	-	-	(7,339)	(7,339)
Balance at 30 June 2010	91,733	20,880	17,298	(829)	91,576	220,658
Balance at 1 January 2009	91,733	19,880	(936)	(638)	62,450	172,489
Profit net of tax	-	-	-	-	10,623	10,623
Other comprehensive income for the six months ended 30 June	-	-	8,471	80	-	8,551
Total comprehensive income for the six months ended 30 June	-	-	8,471	80	10,623	19,174
Dividend for Year 2008	-	-	-	-	(1,835)	(1,835)
Balance at 30 June 2009	91,733	19,880	7,535	(558)	71,238	189,828
Balance at 1 April 2010	91,733	20,880	22,877	(800)	93,111	227,801
Profit net of tax	-	-	-	-	5,804	5,804
Other comprehensive income for the quarter ended 30 June	-	-	(5,579)	(29)	-	(5,608)
Total comprehensive income for the quarter ended 30 June	-	-	(5,579)	(29)	5,804	196
Dividend for Year 2009	-	-	-	-	(7,339)	(7,339)
Balance at 30 June 2010	91,733	20,880	17,298	(829)	91,576	220,658
Balance at 1 April 2009	91,733	19,880	(3,341)	(225)	67,694	175,741
Profit net of tax	-	-	-	-	5,379	5,379
Other comprehensive income for the quarter ended 30 June	-	-	10,876	(333)	-	10,543
Total comprehensive income for the quarter ended 30 June	-	-	10,876	(333)	5,379	15,922
Dividend for Year 2008	-	-	-	-	(1,835)	(1,835)
Balance at 30 June 2009	91,733	19,880	7,535	(558)	71,238	189,828

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5. Unaudited Company statement of changes in equity

	Share capital	General reserve	Available- for-sale investment reserve	Retained profits	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2010	91,733	20,880	22,000	77,713	212,326
Profit net of tax	-	-	-	17,995	17,995
Other comprehensive income for the six months ended 30 June	-	-	(4,702)	-	(4,702)
Total comprehensive income for the six months ended 30 June	-	-	(4,702)	17,995	13,293
Dividend for Year 2009	-	-	-	(7,339)	(7,339)
Balance at 30 June 2010	91,733	20,880	17,298	88,369	218,280
Balance at 1 January 2009	91,733	19,880	(936)	59,810	170,487
Profit net of tax	-	-	-	10,682	10,682
Other comprehensive income for the six months ended 30 June	-	-	8,471	-	8,471
Total comprehensive income for the six months ended 30 June	-	-	8,471	10,682	19,153
Dividend for Year 2008	-	-	-	(1,835)	(1,835)
Balance at 30 June 2009	91,733	19,880	7,535	68,657	187,805
Balance at 1 April 2010	91,733	20,880	22,877	89,970	225,460
Profit net of tax	-	-	-	5,738	5,738
Other comprehensive income for the quarter ended 30 June	-	-	(5,579)	-	(5,579)
Total comprehensive income for the quarter ended 30 June	-	-	(5,579)	5,738	159
Dividend for Year 2009	-	-	-	(7,339)	(7,339)
Balance at 30 June 2010	91,733	20,880	17,298	88,369	218,280
Balance at 1 April 2009	91,733	19,880	(3,341)	65,574	173,846
Profit net of tax	-	-	-	4,918	4,918
Other comprehensive income for the quarter ended 30 June	-	-	10,876	-	10,876
Total comprehensive income for the quarter ended 30 June	-	-	10,876	4,918	15,794
Dividend for Year 2008	-	-	-	(1,835)	(1,835)
Balance at 30 June 2009	91,733	19,880	7,535	68,657	187,805

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6. Unaudited statement of cash flows

	Group			
	1st Half	1st Half	2nd Qtr	2nd Qtr
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Profit before tax	20,359	12,734	6,929	6,344
Adjustments for:				
Foreign currency difference on reserve for unexpired risks (net of deferred acquisition cost)	1	4	1	(4)
Foreign currency difference on provision for outstanding claims	(3)	11	(2)	(52)
Movement in net reserve for unexpired risks (net of movement in net deferred acquisition cost)	4,872	5,307	3,315	3,917
Movement in net outstanding claims	(336)	(308)	(710)	194
Depreciation	70	60	36	30
Net gains on available-for-sale investments	(7,873)	(2,184)	(1,145)	(1,825)
Amortisation of Investments	5	(52)	-	(52)
Gross dividends from investments	(1,968)	(1,370)	(1,776)	(1,190)
Interest income from investments	(1,720)	(1,653)	(861)	(880)
Interest on fixed deposits and bank balances	(136)	(183)	(67)	(77)
Exchange differences	(22)	(461)	55	341
Operating profit before working capital change	13,249	11,905	5,775	6,746
Changes in working capital:				
Trade and other receivables	(6,874)	(5,783)	(2,120)	(92)
Trade and other payables	8,647	7,402	5,728	3,864
Amount owing by related companies	17	162	38	-
Amount owing to related companies	(86)	(115)	-	-
Cash generated from operations	14,953	13,571	9,421	10,518
Tax paid	(2,953)	(167)	(2,953)	-
Net cash flows from operating activities	12,000	13,404	6,468	10,518
Cash flows from investing activities				
Proceeds from sale of available-for-sale investments	45,842	22,313	17,603	18,580
Purchase of available-for-sale investments	(49,193)	(28,360)	(29,854)	(15,683)
Purchase of fixed assets	(166)	(4)	-	-
Placement in long-term fixed deposits	13,157	(1,820)	11,846	(813)
Gross dividends from investments	1,968	1,370	1,776	1,190
Interest income from investments	1,720	1,653	861	880
Interest on fixed deposits and bank balances	136	183	67	77
Net cash flows from/(used in) investing activities	13,464	(4,665)	2,299	4,231
Cash flow from financing activity				
Dividend paid	(7,339)	(1,835)	(7,339)	(1,835)
Cash flow used in financing activity	(7,339)	(1,835)	(7,339)	(1,835)
Translation difference on foreign subsidiary company	(54)	80	(29)	(333)
Net increase in cash and cash equivalents	18,071	6,984	1,399	12,581
Cash and cash equivalents at beginning of period	60,377	108,993	77,023	103,881
Effects of exchange rate changes on cash and cash equivalents	(59)	63	(33)	(422)
Cash and cash equivalents at end of period	78,389	116,040	78,389	116,040

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6. Unaudited statement of cash flows(Cont'd)

Bank balances and fixed deposits in the statement of financial position comprise the following :

	<u>Group</u>	
	<u>1st Half</u> <u>2010</u> <u>\$'000</u>	1st Half 2009 \$'000
Cash and bank balances	7,749	10,984
Fixed deposit placement less than 3 months	<u>70,640</u>	<u>105,056</u>
Cash and cash equivalents	<u>78,389</u>	116,040
Fixed deposits placement more than 3 months	<u>19,506</u>	3,918
Bank balances and fixed deposits	<u><u>97,895</u></u>	<u><u>119,958</u></u>

7. Segment information

	SIE \$' 000	OIE \$' 000	SHE \$' 000	HK Subsidiary \$' 000	Consolidated \$' 000
<u>For first half year ended 30 June 2010</u>					
Gross premiums written	<u>42,324</u>	<u>8,659</u>	-	<u>501</u>	<u>51,484</u>
Net earned premiums	12,461	3,647	-	103	16,211
Net claims incurred	3,432	648	-	(1)	4,079
Net commissions	(1,860)	1,230	-	46	(584)
Management expenses	<u>3,381</u>	<u>328</u>	-	<u>110</u>	<u>3,819</u>
Underwriting profit/ (loss)	7,508	1,441	-	(52)	8,897
Other Income	3,173	205	8,318	3	11,699
Management expenses/(income) not charged to insurance revenue account	<u>77</u>	<u>(12)</u>	<u>219</u>	<u>(47)</u>	<u>237</u>
Profit/(loss) before tax	<u>10,604</u>	<u>1,658</u>	<u>8,099</u>	<u>(2)</u>	<u>20,359</u>
Segment total assets as at 30 June 2010	249,426	36,646	136,153	9,789	432,014
Segment total liabilities as at 30 June 2010	183,731	21,962	3,193	2,470	211,356
<u>For first half year ended 30 June 2009</u>					
Gross premiums written	<u>42,141</u>	<u>7,856</u>	-	<u>569</u>	<u>50,566</u>
Net earned premiums	7,914	3,893	-	181	11,988
Net claims incurred	1,745	1,513	-	(5)	3,253
Net commissions	(2,866)	1,252	-	58	(1,556)
Management expenses	<u>2,595</u>	<u>278</u>	-	<u>123</u>	<u>2,996</u>
Underwriting profit	6,440	850	-	5	7,295
Other Income	3,380	152	1,911	6	5,449
Management expenses/(income) not charged to insurance revenue account	<u>(67)</u>	<u>17</u>	<u>(4)</u>	<u>64</u>	<u>10</u>
Profit/(loss) before tax	<u>9,887</u>	<u>985</u>	<u>1,915</u>	<u>(53)</u>	<u>12,734</u>
Segment total assets as at 30 June 2009	241,164	31,059	117,870	11,075	401,168
Segment total liabilities as at 30 June 2009	187,166	18,761	1,301	4,112	211,340

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7. Segment information (Cont'd)

	<u>SIF</u> \$' 000	<u>OIF</u> \$' 000	<u>SHF</u> \$' 000	<u>HK Subsidiary</u> \$' 000	<u>Consolidated</u> \$' 000
<u>3 months ended 30 June 2010</u>					
Gross premiums written	21,937	5,847	-	204	27,988
Net earned premiums	4,931	1,974	-	43	6,948
Net claims incurred	1,213	501	-	(1)	1,713
Net commissions	(1,015)	767	-	15	(233)
Management expenses	2,033	177	-	26	2,236
Underwriting profit	2,700	529	-	3	3,232
Other Income	1,860	80	1,912	1	3,853
Management expenses/(income) not charged to insurance revenue account	105	7	106	(62)	156
Profit/(loss) before tax	4,455	602	1,806	66	6,929
Segment total assets as at 30 June 2010	249,426	36,646	136,153	9,789	432,014
Segment total liabilities as at 30 June 2010	183,731	21,962	3,193	2,470	211,356
<u>3 months ended 30 June 2009</u>					
Gross premiums written	22,721	3,639	-	193	26,553
Net earned premiums	2,872	1,894	-	59	4,825
Net claims incurred	1,336	802	-	(36)	2,102
Net commissions	(1,239)	516	-	19	(704)
Management expenses	1,210	159	-	27	1,396
Underwriting profit	1,565	417	-	49	2,031
Other Income	2,429	116	1,480	2	4,027
Management expenses/(income) not charged to insurance revenue account	55	32	36	(409)	(286)
Profit/(loss) before tax	3,939	501	1,444	460	6,344
Segment total assets as at 30 June 2009	241,164	31,059	117,870	11,075	401,168
Segment total liabilities as at 30 June 2009	187,166	18,761	1,301	4,112	211,340

The Group 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 HK Subsidiary refers to the Company's wholly-owned subsidiary, UOB Insurance (H.K.) Limited, incorporated in Hong Kong S.A.R.

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

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7. Segment information (Cont'd)

Information about major external customer

For the first half/second quarter ended 30 June 2010 and the corresponding period, the Group did not have any external customer whose premium income to the Group exceeded 10% of the Group's total revenue.

Geographical Information

Geographical information of the Group's revenue derived from external customers based on location of insurance risks and non-current assets are as follows:

	<u>Revenue</u>		<u>Non-current assets</u>	
	<u>1Half 2010</u> \$'000	<u>1Half 2009</u> \$'000	<u>1Half 2010</u> \$'000	<u>1Half 2009</u> \$'000
Singapore	36,585	41,897	465	337
Asean	6,216	5,362	-	-
Hong Kong	470	530	-	-
Others	2,015	2,127	-	-
	<u>45,286</u>	<u>49,916</u>	<u>465</u>	<u>337</u>

	<u>Revenue</u>		<u>Non-current assets</u>	
	<u>2Q2010</u> \$'000	<u>2Q2009</u> \$'000	<u>2Q2010</u> \$'000	<u>2Q2009</u> \$'000
Singapore	16,789	23,025	465	337
Asean	4,285	2,512	-	-
Hong Kong	207	199	-	-
Others	1,291	823	-	-
	<u>22,572</u>	<u>26,559</u>	<u>465</u>	<u>337</u>

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

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8. Review of performance

Highlights and Performance Indicators for the Group

\$'000	1st Half 2010	1st Half 2009	1H10 / 1H09 %	2nd Quarter 2010	2nd Quarter 2009	2Q10 / 2Q09 %
Gross premiums written	51,484	50,566	+1.8	27,988	26,553	+5.4
Underwriting profit	8,897	7,295	+22.0	3,232	2,031	+59.1
Non-underwriting income	11,462	5,439	+110.7	3,697	4,313	-14.3
Profit before tax	20,359	12,734	+59.9	6,929	6,344	+9.2

1st Half 2010 ("1H10") versus 1st Half 2009 ("1H09")

Gross premium increased by 1.8% to \$51.5 million and net earned premiums increased by \$4.2 million or 35.2% for the first half this year as compared to the first half last year. The increase was due mainly to increased business derived from the UOB Group of Companies, the Group's reinsurance partners and the Group's selective increase in retention of quality risks. As a result, the net written premiums ratio rose from 34.2% to 41.0%. Despite increase in net claims incurred of \$0.8 million, the net claims incurred ratio decreased from 27.1% to 25.2% due to higher net earned premiums. Management expenses increased by \$0.8 million or 27.5% due to increases in staff cost and other expenses.

Underwriting profit increased by 22.0% to \$8.9 million due mainly to higher net earned premiums. Non-underwriting income was higher at \$11.5 million as compared to \$5.4 million in the corresponding period last year due to a one-time gain from the sale of the Company's stake in a group-linked company booked in 1Q10.

Overall profit before tax increased by 59.9% to \$20.4 million.

2nd Quarter 2010 ("2Q10") versus 2nd Quarter 2009 ("2Q09")

The Group's gross premium grew by 5.4% to \$28.0 million and net earned premiums increased by 44.0% or \$2.1 million in 2Q10 as compared to 2Q09 due to selective increase in the Group's net retention. Net claims incurred was lower by \$0.4 million or 18.5%. Consequently, underwriting profit in 2Q10 increased to \$3.2 million. The Group recorded a lower non-underwriting gain of \$3.7 million due to lower profit from sale of investments. Profit before tax increased by 9.2% to \$6.9 million due mainly to better underwriting profit.

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

The Singapore GDP growth rate had been revised upwards to between 13% and 15% for 2010 due to exceptional growth in the first two quarters of 2010. For the rest of the year, growth is likely to be moderated.

Competition within the general insurance industry remains intense with a number of sectors showing flat or negative growth except for motor insurance which grew due to higher premium pricing. As the Company focuses on sectors yielding better profit margins, it is on track to achieve higher underwriting results for 2010 given its prudent underwriting policy and selective retention of quality risks. Non-underwriting income is expected to remain positive and improve with the economy.

On the prospects beyond 2010, management is confident to achieve profitability at a level consistent with the past. It is however, difficult to predict the extent of growth given the fact that the operating environment remains fraught with uncertainties from an economic and underwriting perspective.

10. 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 2010 are the same as those adopted in the preceding year.

11. Interim and special dividends

The Directors are pleased to declare an interim dividend of 3 cents per share (one-tier tax-exempt) and a special dividend of 2 cents per share (one-tier tax-exempt) in respect of the current financial year (2009 interim dividend : 3 cents per share – one-tier tax-exempt). The total interim and special dividends amounting to \$3.1 million will be paid on 31 August 2010.

12. Closure of books

Notice is hereby given that the Share Transfer Books and the Register of Members of the Company will be closed from 20 August 2010 to 21 August 2010, 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 5.00pm on 19 August 2010 will be registered for the interim and special dividends. In respect of ordinary shares in securities accounts with The Central Depository (Pte) Limited ("CDP"), the interim and special dividends will be paid by the Company to CDP which will, in turn, distribute the dividend to holders of the securities accounts.

13. Borrowings, contingent liabilities and loan capital

The Group has no borrowings, contingent liabilities and loan capital as at 30 June 2010 (30 June 2009: nil).

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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 group financial results for the first half/second quarter ended 30 June 2010 to be false or misleading.

BY ORDER OF THE BOARD

MRS VIVIEN CHAN
SECRETARY

Dated this 3rd August 2010