

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 2010

	Group		Incr/ (Decr) %
	2010 \$'000	2009 \$'000	
(a) Gross premium written	89,234	84,464	5.6
Net earned premium	35,230	29,354	20.0
Less/(Add) :			
Net claims incurred	11,914	9,709	22.7
Net commissions	(4,117)	(5,002)	(17.7)
Management expenses :			
Staff cost	5,664	5,149	10.0
Rental expenses	808	684	18.1
Management fees	98	143	(31.5)
Depreciation	145	120	20.8
Foreign exchange loss	22	39	(43.6)
Other operating expenses	2,577	1,050	145.4
Underwriting profit	18,119	17,462	3.8
Gross dividends from investments	3,442	2,819	22.1
Interest income from investments	3,942	3,337	18.1
Interest on fixed deposits and bank balances	193	327	(41.0)
Amortisation of Investments	(40)	34	(217.6)
Miscellaneous income	54	155	(65.2)
Net fair value gains on financial derivatives	2,108	-	NM
Net gains on available-for-sale investments	12,286	2,574	377.3
(Less)/Add :			
Management expenses not charged to insurance revenue account:			
Management fees	(645)	(160)	303.1
Other operating expenses	(283)	(185)	53.0
Exchange differences	(1,195)	380	(414.5)
Profit before tax	37,981	26,743	42.0
Tax expense	(4,539)	(3,602)	26.0
Net profit	33,442	23,141	44.5
Profit attributable to: Equity holders of the Company	33,442	23,141	

Note : NM = Not Meaningful

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1. Audited income statement for the year ended 31 December 2010 (cont'd)

	Group		
	<u>2010</u> \$'000	<u>2009</u> \$'000	Incr/ (Decr) %
(b) Gross premium income			
6 months ended 30 June	51,484	50,566	1.8
6 months ended 31 December	37,750	33,898	11.4
Total for the year	<u>89,234</u>	<u>84,464</u>	5.6
(c) Net profit after tax			
6 months ended 30 June	17,993	10,623	69.4
6 months ended 31 December	15,449	12,518	23.4
Total for the year	<u>33,442</u>	<u>23,141</u>	44.5
(d) Net earnings per share (cents) - basic and diluted	54.7	37.8	

2. Audited statement of comprehensive income for the year ended 31 December 2010

	Group	
	<u>2010</u> \$'000	<u>2009</u> \$'000
Net profit	33,442	23,141
Other comprehensive income :		
Foreign currency translation difference	(665)	(137)
Net gains on available-for-sale investments	1,495	27,608
Income tax relating to available-for-sale investments	(252)	(4,672)
Other comprehensive income for the financial year, net of tax	<u>578</u>	<u>22,799</u>
Total comprehensive income for the financial year	<u>34,020</u>	<u>45,940</u>
Total comprehensive income attributable to: Equity holders of the Company	<u>34,020</u>	<u>45,940</u>

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3. Audited statement of financial position

	<u>Group</u>		<u>Company</u>	
	<u>31-Dec-10</u>	<u>31-Dec-09</u>	<u>31-Dec-10</u>	<u>31-Dec-09</u>
	\$'000	\$'000	\$'000	\$'000
(a) Share capital - Issued & fully paid	91,733	91,733	91,733	91,733
Reserves	146,650	123,027	144,113	120,593
	238,383	214,760	235,846	212,326
Deferred tax liabilities	5,009	4,695	5,009	4,695
Gross technical balances				
Reserve for unexpired risks	49,038	45,528	48,670	45,211
Provision for outstanding claims	124,185	123,969	123,116	122,081
	173,223	169,497	171,786	167,292
Current liabilities				
Insurance creditors	10,366	10,705	10,210	10,661
Non-trade creditors & accrued liabilities	3,163	3,191	3,057	3,046
Deferred acquisition cost-reinsurers' share	5,769	5,997	5,711	5,944
Amount owing to related companies				
- non-trade	1,145	124	1,145	217
Derivative financial liabilities	231	-	231	-
Tax payables	5,515	7,045	5,551	7,021
	26,189	27,062	25,905	26,889
Total equity and liabilities	442,804	416,014	438,546	411,202
Fixed assets	485	369	485	369
Investment in subsidiary	-	-	4,940	4,940
Available-for-sale investments	274,209	205,708	274,209	205,708
Statutory deposit	500	500	500	500
Unsecured term loan	19	21	19	21
Reinsurers' share of technical balances				
Reserve for unexpired risks	24,017	24,522	23,742	24,298
Provision for outstanding claims	73,385	75,861	72,498	74,480
	97,402	100,383	96,240	98,778
Current assets				
Insurance debtors	10,893	8,889	10,765	8,762
Deferred acquisition cost-gross	5,464	5,153	5,375	5,069
Non-trade debtors and accrued interest receivable	2,343	1,934	2,335	1,926
Amount owing by related companies	7	17	10	17
Derivative financial assets	2,339	-	2,339	-
Bank balances and fixed deposits	49,143	93,040	41,329	85,112
	70,189	109,033	62,153	100,886
Total assets	442,804	416,014	438,546	411,202
(b) Net asset value per share (S\$)	3.90	3.51	3.86	3.47
Number of shares issued ('000)	61,155	61,155	61,155	61,155

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4. Audited Group statement of changes in equity

	Share capital \$'000	General reserve \$'000	Available- for-sale investment reserve \$'000	Foreign currency translation reserve \$'000	Retained profits \$'000	Total \$'000
Balance at 1 January 2010	91,733	20,880	22,000	(775)	80,922	214,760
Profit net of tax	-	-	-	-	33,442	33,442
Other comprehensive income for the financial year	-	-	1,243	(665)	-	578
Total comprehensive income for the financial year	-	-	1,243	(665)	33,442	34,020
Transfer from retained profits	-	1,000	-	-	(1,000)	-
Dividend for Year 2009	-	-	-	-	(7,339)	(7,339)
Dividend for Year 2010	-	-	-	-	(3,058)	(3,058)
Balance at 31 December 2010	91,733	21,880	23,243	(1,440)	102,967	238,383
Balance at 1 January 2009	91,733	19,880	(936)	(638)	62,450	172,489
Profit net of tax	-	-	-	-	23,141	23,141
Other comprehensive income for the financial year	-	-	22,936	(137)	-	22,799
Total comprehensive income for the financial year	-	-	22,936	(137)	23,141	45,940
Transfer from retained profits	-	1,000	-	-	(1,000)	-
Dividend for Year 2008	-	-	-	-	(1,835)	(1,835)
Dividend for Year 2009	-	-	-	-	(1,834)	(1,834)
Balance at 31 December 2009	91,733	20,880	22,000	(775)	80,922	214,760

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5. Audited 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 2010	91,733	20,880	22,000	77,713	212,326
Profit net of tax	-	-	-	32,674	32,674
Other comprehensive income for the financial year	-	-	1,243	-	1,243
Total comprehensive income for the financial year	-	-	1,243	32,674	33,917
Transfer from retained profits	-	1,000	-	(1,000)	-
Dividend for Year 2009	-	-	-	(7,339)	(7,339)
Dividend for Year 2010	-	-	-	(3,058)	(3,058)
Balance at 31 December 2010	91,733	21,880	23,243	98,990	235,846
Balance at 1 January 2009	91,733	19,880	(936)	59,810	170,487
Profit net of tax	-	-	-	22,572	22,572
Other comprehensive income for the financial year	-	-	22,936	-	22,936
Total comprehensive income for the financial year	-	-	22,936	22,572	45,508
Transfer from retained profits	-	1,000	-	(1,000)	-
Dividend for Year 2008	-	-	-	(1,835)	(1,835)
Dividend for Year 2009	-	-	-	(1,834)	(1,834)
Balance at 31 December 2009	91,733	20,880	22,000	77,713	212,326

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6. Audited statement of cash flows

	Group	
	<u>2010</u>	<u>2009</u>
	\$'000	\$'000
Cash flows from operating activities		
Profit before tax	37,981	26,743
Adjustments for:		
Foreign currency difference on reserve for unexpired risks (net of deferred acquisition cost)	(6)	2
Foreign currency difference on provision for outstanding claims	(41)	(18)
Movement in net reserve for unexpired risks (net of movement in net deferred acquisition cost)	3,482	1,632
Movement in net outstanding claims	2,733	2,786
Net fair value gains on financial derivatives	(2,108)	-
Depreciation	145	120
Net gains on available-for-sale investments	(12,286)	(2,574)
Amortisation of Investments	40	(34)
Gross dividends from investments	(3,442)	(2,819)
Interest income from investments	(3,942)	(3,337)
Interest on fixed deposits and bank balances	(193)	(327)
Exchange differences	2,437	(103)
Operating profit before working capital change	<u>24,800</u>	<u>22,071</u>
Changes in working capital:		
Trade and other receivables	(2,413)	(2,267)
Trade and other payables	(367)	(4,261)
Amount owing by related companies	10	145
Amount owing to related companies	1,021	9
Cash generated from operations	<u>23,051</u>	<u>15,697</u>
Tax paid	(6,002)	(26)
Net cash flow from operating activities	<u>17,049</u>	<u>15,671</u>
Cash flows from investing activities		
Proceeds from sale of available-for-sale investments	104,058	37,069
Purchase of available-for-sale investments	(160,559)	(73,181)
Purchase of fixed assets	(261)	(96)
Maturity of/(placement in) long-term fixed deposits	31,201	(30,565)
Unsecured term loans	2	3
Gross dividends from investments	3,442	2,819
Interest income from investments	3,942	3,337
Interest on fixed deposits and bank balances	193	327
Net cash flow used in investing activities	<u>(17,982)</u>	<u>(60,287)</u>
Cash flow from financing activity		
Dividend paid	(10,397)	(3,669)
Cash flow used in financing activity	<u>(10,397)</u>	<u>(3,669)</u>
Translation difference on foreign subsidiary company	(665)	(137)
Net decrease in cash and cash equivalents	<u>(11,995)</u>	<u>(48,422)</u>
Cash and cash equivalents at beginning of year	60,377	108,993
Effects of exchange rate changes on cash and cash equivalents	(701)	(194)
Cash and cash equivalents at end of year	<u>47,681</u>	<u>60,377</u>

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

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

	Group	
	<u>2010</u>	<u>2009</u>
	\$'000	\$'000
Cash and bank balances	17,905	7,428
Fixed deposit placement less than 3 months	29,776	52,949
Cash and cash equivalents	47,681	60,377
Fixed deposits placement more than 3 months	1,462	32,663
Bank balances and fixed deposits	49,143	93,040

7. Segment Information

	<u>SIF</u>	<u>OIF</u>	<u>SHF</u>	<u>HK Subsidiary</u>	<u>Consolidated</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
<u>For Year 2010</u>					
Gross premium written	<u>73,411</u>	<u>14,933</u>	<u>-</u>	<u>890</u>	<u>89,234</u>
Net earned premium	26,754	8,282	-	194	35,230
Net claims incurred	9,101	3,091	-	(278)	11,914
Net commissions	(5,921)	1,789	-	15	(4,117)
Management expenses	<u>7,808</u>	<u>1,296</u>	<u>-</u>	<u>210</u>	<u>9,314</u>
Underwriting profit	15,766	2,106	-	247	18,119
Other Income	6,752	636	12,481	8	19,877
Management expenses/(income) not charged to insurance revenue account	<u>297</u>	<u>66</u>	<u>204</u>	<u>(552)</u>	<u>15</u>
Profit before tax	<u>22,221</u>	<u>2,676</u>	<u>12,277</u>	<u>807</u>	<u>37,981</u>
Segment total assets as at 31 December 2010	252,543	37,129	143,894	9,238	442,804
Segment total liabilities as at 31 December 2010	177,654	21,233	3,773	1,761	204,421
<u>For Year 2009</u>					
Gross premium written	<u>69,466</u>	<u>14,135</u>	<u>-</u>	<u>863</u>	<u>84,464</u>
Net earned premium	21,469	7,624	-	261	29,354
Net claims incurred	6,727	3,503	-	(521)	9,709
Net commissions	(6,428)	1,444	-	(18)	(5,002)
Management expenses	<u>5,746</u>	<u>1,176</u>	<u>-</u>	<u>263</u>	<u>7,185</u>
Underwriting profit	15,424	1,501	-	537	17,462
Other Income	5,493	394	3,352	7	9,246
Management expenses/(income) not charged to insurance revenue account	<u>(10)</u>	<u>66</u>	<u>26</u>	<u>(117)</u>	<u>(35)</u>
Profit before tax	<u>20,927</u>	<u>1,829</u>	<u>3,326</u>	<u>661</u>	<u>26,743</u>
Segment total assets as at 31 December 2009	243,256	33,797	129,116	9,845	416,014
Segment total liabilities as at 31 December 2009	175,836	20,125	2,822	2,471	201,254

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7. Segment information (cont'd)

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).

Information about major external customer

For the year ended 31 December 2010 and the preceding period, the Group did not have any external customer whose premium income 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:

	Revenue		Non-current assets	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Singapore	67,932	60,773	485	369
Asean	9,887	9,782	-	-
Others	5,171	5,084	-	-
	82,990	75,639	485	369

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	2010	2009	2010/ 2009 %	4th Quarter 2010	4th Quarter 2009	4Q10/ 4Q09 %
Gross premium written	89,234	84,464	+5.6	17,008	16,239	+4.7
Underwriting profit	18,119	17,462	+3.8	5,741	6,155	-6.7
Non-underwriting Income	19,862	9,281	+114.0	3,961	1,580	+150.7
Profit before tax	37,981	26,743	+42.0	9,702	7,735	+25.4

2010 versus 2009

Gross premium increased by \$4.8 million or 5.6% to \$89.2 million and net earned premium grew by \$5.9 million or 20.0% as compared to those of last year. The growth was due mainly to increased business from the corporate sector, offshore business and certain reinsurance partners as well as the implementation of a selective retention policy. As a result, the net retained premium ratio improved from 36.7% to 43.4%. Net claims incurred rose by \$2.2 million or 22.7% due to a higher net retention policy. Management expenses increased by \$2.1 million or 29.6% due to higher costs incurred in expanding a key area of business and to a lesser extent, increased staff costs.

Underwriting profit grew by 3.8% to a record \$18.1 million due mainly to higher net earned premium. Non-underwriting income increased to \$19.9 million from \$9.3 million in the corresponding period last year due to a one-time gain from the sale of investment in a group-linked company in 1Q10 and better market sentiments.

Overall profit before tax increased by 42.0% to a record \$38.0 million.

4th Quarter 2010 ("4Q10") versus 4th Quarter 2009 ("4Q09")

The Group's gross premium grew by 4.7% to \$17.0 million and net premium written increased by 20.8% or \$1.4 million in 4Q10 as compared to 4Q09 due to selective increase in the Group's net retention. Net commission income increased by \$0.6 million or 18.4% but management expenses was higher by \$1.0 million or 37.8%. Consequently, underwriting profit in 4Q10 decreased by \$0.4 million. The Group recorded a higher non-underwriting gain of \$4.0 million due to higher profit from sale of investments. Profit before tax increased by 25.4% to \$9.7 million due mainly to better non-underwriting profit.

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

Growth in the general insurance industry is expected to be marginal given the drastic erosion of premium rates in an environment of intense competition fuelled by excess capacity worldwide. In view of the many negative factors including the uncertainties prevailing in the world economies, it is too early to be sanguine. The management is confident of maintaining premium growth and underwriting profitability in the context of the Company's proven judicious underwriting policy and the staunch support from the parent bank.

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 year ended 31 December 2010 are the same as those adopted in the preceding year.

11. Dividend

The Directors recommend the payment of a final dividend of 12 cents per share (one-tier tax-exempt) (2009 final dividend: 12 cents per share one-tier tax-exempt) in respect of the financial year ended 31 December 2010.

Together with the interim dividend of 3 cents per share and a special dividend of 2 cents per share paid on 31 August 2010, the total for the financial year ended 31 December 2010 would be 17 cents per share (2009: 15 cents per share) amounting to a total net dividend payment of \$10.4 million (2009: \$9.2 million). If approved at the forthcoming Annual General Meeting, the proposed final dividend will be paid on 24 May 2011.

12. Borrowings, contingent liabilities and loan capital

The Group has no borrowings, contingent liabilities and loan capital as at 31 December 2010 (31 December 2009: nil). The Group has maintained strong liquidity for its business operations.

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13. Closure of Books

Notice is hereby given that, subject to shareholders' approval of the payment of the abovementioned dividend at the Annual General Meeting schedule for 29 April 2011, the Share Transfer Books and the Register of Members of the Company will be closed from 11 May 2011 to 12 May 2011, 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 10 May 2011 will be registered for the final dividend. In respect of ordinary shares in securities accounts with The Central Depository (Pte) Limited ("CDP"), the final dividend will be paid by the Company to CDP which will, in turn, distribute the dividend to holders of the securities accounts.

BY ORDER OF THE BOARD

MRS VIVIEN CHAN
SECRETARY

Dated this 21st February 2011