

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 2011

	Group		Incr/ (Decr) %
	2011 \$'000	2010 \$'000	
(a) Gross premium written	97,438	89,234	9.2
Net earned premium	39,270	35,230	11.5
Less/(Add) :			
Net claims incurred	13,143	11,914	10.3
Net commissions	(1,956)	(4,117)	(52.5)
Management expenses :			
Staff cost	5,826	5,664	2.9
Rental expenses	808	808	-
Management fees	108	98	10.2
Depreciation	143	145	(1.4)
Foreign exchange loss	19	22	(13.6)
Other operating expenses	2,530	2,577	(1.8)
Underwriting profit	18,649	18,119	2.9
Gross dividends from investments	4,134	3,442	20.1
Interest income from investments	4,903	3,942	24.4
Interest on fixed deposits and bank balances	79	193	(59.1)
Amortisation of Investments	5	(40)	(112.5)
Miscellaneous income	60	54	11.1
Net fair value gains on financial derivatives - realised	1,695	-	NM
Net fair value (losses)/gains on financial derivatives - unrealised	(2,413)	2,108	(214.5)
Net gains on available-for-sale investments	4,617	12,286	(62.4)
Impairment on available-for-sale investments	(6,590)	-	NM
(Less)/Add :			
Management expenses not charged to insurance revenue account:			
Management fees	(684)	(645)	6.0
Other operating expenses	(377)	(283)	33.2
Exchange differences	678	(1,195)	(156.7)
Non-underwriting income	6,107	19,862	(69.3)
Profit before tax	24,756	37,981	(34.8)
Tax expense	(4,607)	(4,539)	1.5
Net profit	20,149	33,442	(39.7)
Note : NM = Not Meaningful			
Profit attributable to:			
Equity holders of the Company	20,149	33,442	(39.7)

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1. Audited income statement for the year ended 31 December 2011 (cont'd)

	Group		
	<u>2011</u> \$'000	<u>2010</u> \$'000	Incr/ (Decr) %
(b) Gross premium income			
6 months ended 30 June	55,289	51,484	7.4
6 months ended 31 December	42,149	37,750	11.7
Total for the year	<u>97,438</u>	<u>89,234</u>	9.2
(c) Net profit after tax			
6 months ended 30 June	15,240	17,993	(15.3)
6 months ended 31 December	4,909	15,449	(68.2)
Total for the year	<u>20,149</u>	<u>33,442</u>	(39.7)
(d) Net earnings per share (cents) - basic and diluted	32.9	54.7	(39.9)

2. Audited statement of comprehensive income for the year ended 31 December 2011

	Group		
	<u>2011</u> \$'000	<u>2010</u> \$'000	Incr/ (Decr) %
Net profit	20,149	33,442	(39.7)
Other comprehensive income :			
Foreign currency translation difference	111	(665)	NM
Net (losses)/gains on available-for-sale investments	(24,647)	1,495	NM
Income tax relating to available-for-sale investments	4,188	(252)	NM
Other comprehensive income for the financial year, net of tax	<u>(20,348)</u>	<u>578</u>	NM
Total comprehensive income for the financial year	<u>(199)</u>	<u>34,020</u>	(100.6)
Total comprehensive income attributable to: Equity holders of the Company	<u>(199)</u>	<u>34,020</u>	(100.6)

Note : NM = Not Meaningful

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3. Audited statement of financial position

	<u>Group</u>		<u>Company</u>	
	<u>31-Dec-11</u>	<u>31-Dec-10</u>	<u>31-Dec-11</u>	<u>31-Dec-10</u>
	\$'000	\$'000	\$'000	\$'000
(a) Share capital - Issued & fully paid	91,733	91,733	91,733	91,733
Reserves	137,278	146,650	134,647	144,113
	229,011	238,383	226,380	235,846
Deferred tax liabilities	801	5,009	801	5,009
Gross technical balances				
Reserve for unexpired risks	54,887	49,038	54,417	48,670
Provision for outstanding claims	125,590	124,185	124,612	123,116
	180,477	173,223	179,029	171,786
Current liabilities				
Insurance creditors	12,397	10,366	12,190	10,210
Non-trade creditors & accrued liabilities	2,905	3,163	2,800	3,057
Deferred acquisition cost-reinsurers' share	6,555	5,769	6,492	5,711
Amount owing to related companies	1,051	1,145	1,051	1,145
Derivative financial liabilities	327	231	327	231
Tax payables	5,893	5,515	5,926	5,551
	29,128	26,189	28,786	25,905
Total equity and liabilities	439,417	442,804	434,996	438,546
Fixed assets	379	485	379	485
Investment in subsidiary	-	-	4,940	4,940
Available-for-sale investments	283,847	274,209	283,847	274,209
Statutory deposit	-	500	-	500
Unsecured term loan	16	19	16	19
Reinsurers' share of technical balances				
Reserve for unexpired risks	26,851	24,017	26,490	23,742
Provision for outstanding claims	72,039	73,385	71,163	72,498
	98,890	97,402	97,653	96,240
Current assets				
Insurance debtors	12,378	10,893	12,198	10,765
Deferred acquisition cost-gross	6,382	5,464	6,277	5,375
Non-trade debtors and accrued interest receivable	1,988	2,343	1,980	2,335
Amount owing by related companies	-	7	47	10
Derivative financial assets	22	2,339	22	2,339
Bank balances and fixed deposits	35,515	49,143	27,637	41,329
	56,285	70,189	48,161	62,153
Total assets	439,417	442,804	434,996	438,546
(b) Net asset value per share (S\$)	3.74	3.90	3.70	3.86
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 2011	91,733	21,880	23,243	(1,440)	102,967	238,383
Profit net of tax	-	-	-	-	20,149	20,149
Other comprehensive income for the financial year	-	-	(20,459)	111	-	(20,348)
Total comprehensive income for the financial year	-	-	(20,459)	111	20,149	(199)
Transfer from retained profits	-	1,000	-	-	(1,000)	-
Dividend for Year 2010	-	-	-	-	(7,339)	(7,339)
Dividend for Year 2011	-	-	-	-	(1,834)	(1,834)
Balance at 31 December 2011	91,733	22,880	2,784	(1,329)	112,943	229,011
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

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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 2011	91,733	21,880	23,243	98,990	235,846
Profit net of tax	-	-	-	20,166	20,166
Other comprehensive income for the financial year	-	-	(20,459)	-	(20,459)
Total comprehensive income for the financial year	-	-	(20,459)	20,166	(293)
Transfer from retained profits	-	1,000	-	(1,000)	-
Dividend for Year 2010	-	-	-	(7,339)	(7,339)
Dividend for Year 2011	-	-	-	(1,834)	(1,834)
Balance at 31 December 2011	91,733	22,880	2,784	108,983	226,380
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

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6. Audited statement of cash flows

	Group	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Cash flows from operating activities		
Profit before tax	24,756	37,981
Adjustments for:		
Foreign currency difference on reserve for unexpired risks (net of deferred acquisition cost)	1	(6)
Foreign currency difference on provision for outstanding claims	1	(41)
Movement in net reserve for unexpired risks (net of movement in net deferred acquisition cost)	2,882	3,482
Movement in net outstanding claims	2,750	2,733
Net fair value losses/(gains) on financial derivatives-unrealised	2,413	(2,108)
Depreciation	143	145
Net gains on available-for-sale investments	(4,617)	(12,286)
Amortisation of Investments	(5)	40
Impairment on available-for-sale investments	6,590	-
Gross dividends from investments	(4,134)	(3,442)
Interest income from investments	(4,903)	(3,942)
Interest on fixed deposits and bank balances	(79)	(193)
Exchange differences	(895)	2,437
Operating profit before working capital change	<u>24,903</u>	<u>24,800</u>
Changes in working capital:		
Trade and other receivables	(1,130)	(2,413)
Trade and other payables	1,773	(367)
Amount owing by related companies	7	10
Amount owing to related companies	(94)	1,021
Cash generated from operations	<u>25,459</u>	<u>23,051</u>
Tax paid	(4,250)	(6,002)
Net cash flow from operating activities	<u>21,209</u>	<u>17,049</u>
Cash flows from investing activities		
Proceeds from sale of available-for-sale investments	82,292	104,058
Purchase of available-for-sale investments	(117,760)	(160,559)
Purchase of fixed assets	(37)	(261)
(Placement in)/maturity of long-term fixed deposits	(4,200)	31,201
Proceeds from statutory deposit	500	-
Unsecured term loans	3	2
Gross dividends from investments	4,134	3,442
Interest income from investments	4,903	3,942
Interest on fixed deposits and bank balances	79	193
Net cash flow used in investing activities	<u>(30,086)</u>	<u>(17,982)</u>
Cash flow from financing activity		
Dividend paid	(9,173)	(10,397)
Cash flow used in financing activity	<u>(9,173)</u>	<u>(10,397)</u>
Translation difference on foreign subsidiary company	111	(665)
Net decrease in cash and cash equivalents	<u>(17,939)</u>	<u>(11,995)</u>
Cash and cash equivalents at beginning of year	47,681	60,377
Effects of exchange rate changes on cash and cash equivalents	111	(701)
Cash and cash equivalents at end of year	<u>29,853</u>	<u>47,681</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>2011</u>	<u>2010</u>
	\$'000	\$'000
Cash and bank balances	9,901	17,905
Fixed deposit placement less than 3 months	19,952	29,776
Cash and cash equivalents	29,853	47,681
Fixed deposits placement more than 3 months	5,662	1,462
Bank balances and fixed deposits	35,515	49,143

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 2011</u>					
Gross premium written	79,317	17,132	-	989	97,438
Net earned premium	29,261	9,799	-	210	39,270
Net claims incurred	8,847	4,376	-	(80)	13,143
Net commissions	(4,138)	2,159	-	23	(1,956)
Management expenses	7,841	1,387	-	206	9,434
Underwriting profit	16,711	1,877	-	61	18,649
Other income	2,655	721	3,818	14	7,208
Management expenses not charged to insurance revenue account	440	63	513	85	1,101
Profit/(loss) before tax	18,926	2,535	3,305	(10)	24,756
Segment total assets as at 31 December 2011	257,395	40,426	132,154	9,442	439,417
Segment total liabilities as at 31 December 2011	183,213	23,723	1,599	1,871	210,406
<u>For Year 2010</u>					
Gross premium written	73,411	14,933	-	890	89,234
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	7,808	1,296	-	210	9,314
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	297	66	204	(552)	15
Profit before tax	22,221	2,676	12,277	807	37,981
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

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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 2011 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:

	<u>Revenue</u>		<u>Non-current assets</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Singapore	72,890	67,932	379	485
Asean	11,044	9,887	-	-
Others	6,059	5,171	-	-
	89,993	82,990	379	485

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	2011	2010	2011/ 2010 %	4th Quarter 2011	4th Quarter 2010	4Q11/ 4Q10 %
Gross premium written	97,438	89,234	+9.2	20,075	17,008	+18.0
Underwriting profit	18,649	18,119	+2.9	4,845	5,741	-15.6
Non-underwriting income/(loss)	6,107	19,862	-69.3	(2,496)	3,961	NM
Profit before tax	24,756	37,981	-34.8	2,349	9,702	-75.8

NM = Not Meaningful

2011 versus 2010

Gross premium increased by \$8.2 million or 9.2% to \$97.4 million and net earned premium grew by \$4.0 million or 11.5% to \$39.3 million 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. Net claims incurred rose by \$1.2 million or 10.3% due to a higher net retention policy. Management expenses increased by \$0.1 million or 1%.

Underwriting profit grew by 2.9% to \$18.6 million due mainly to higher net earned premium. Non-underwriting income decreased by \$13.8 million to \$6.1 million from \$19.9 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 impairment provisions made on investments in 2011.

Overall profit before tax decreased by 34.8% to \$24.8 million due to lower non-underwriting income.

4th Quarter 2011 ("4Q11") versus 4th Quarter 2010 ("4Q10")

The Group's gross premium grew by \$3.1 million or 18.0% to \$20.1 million and net earned premium increased by \$2.0 million or 22.6% to \$11.0 million in 4Q11 as compared to 4Q10 due to selective increase in net retention. Net commission income decreased by \$2.7 million or 65.6% due mainly to exceptionally high profit commission recoveries from reinsurers in the corresponding period last year arising from the releases of claim reserves that were no longer required. Management expenses was lower by \$0.4 million or 10.4%. Consequently, underwriting profit in 4Q11 decreased by 15.6% or \$0.9 million. The Group recorded a non-underwriting loss of \$2.5 million due to unrealised loss in investments arising from the weak investment market sentiments. Profit before tax for 4Q11 decreased by 75.8% to \$2.3 million due mainly to decrease in non-underwriting income.

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

Intensifying competition within a mature general insurance market continues to weigh on premium growth. With staunch support from the parent bank, the continuation of the Company's judicious underwriting policy and a largely domestic portfolio, the management is confident of maintaining premium growth and underwriting profitability. Investment income will likely be volatile in light of the global uncertainties and fragile economies. The increasing magnitude and frequency of climate change related and other natural disasters such as floods in Thailand and Australia and earthquakes in Japan and New Zealand will pose a serious challenge to underwriters worldwide in the area of risk management. As a consequence, offshore business development will be inhibited.

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 2011 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) (2010 final dividend: 12 cents per share one-tier tax-exempt) in respect of the financial year ended 31 December 2011.

Together with the interim dividend of 3 cents per share paid on 6 September 2011, the total for the financial year ended 31 December 2011 would be 15 cents per share (2010 : 17 per share) amounting to a total net dividend payment of \$9.2 million (2010: \$10.4 million). If approved at the forthcoming Annual General Meeting, the proposed final dividend will be paid on 22 May 2012.

12. Borrowings, contingent liabilities and loan capital

The Group has maintained strong liquidity for its business operations and has no borrowings, contingent liabilities and loan capital as at 31 December 2011 (31 December 2010: nil).

13. Interested person transactions

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

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14. **Report of persons occupying managerial position who are related to a director, chief executive officer or or substantial shareholder**

Pursuant to SGX Listing Rule 704(13), we wish to state that the Company and its subsidiary have no managerial staff who is a relative of a director, chief executive officer or substantial shareholder of the Company.

15. **Closure of books**

Notice is hereby given that, subject to shareholders' approval of the payment of the final dividend at the Annual General Meeting scheduled for 26 April 2012, the Share Transfer Books and the Register of Members of the Company will be closed from 10 May 2012 to 11 May 2012, 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 9 May 2012 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 2012