

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 2011

	Group					
	9 Months <u>2011</u> \$'000	9 Months <u>2010</u> \$'000	Incr/ <u>(Decr)</u> %	3rd Qtr <u>2011</u> \$'000	3rd Qtr <u>2010</u> \$'000	Incr/ <u>(Decr)</u> %
(a) Gross premium written	77,363	72,226	7.1	22,074	20,742	6.4
Net earned premium	28,290	26,271	7.7	10,114	10,060	0.5
Less/(Add) :						
Net claims incurred	8,885	8,232	7.9	3,456	4,153	(16.8)
Net commission (income)/expense	(527)	35	NM	148	619	(76.1)
Management expenses :						
Staff cost	3,733	3,549	5.2	1,185	1,177	0.7
Rental expenses	606	606	-	202	202	-
Management fees	47	43	9.3	16	13	23.1
Depreciation	108	108	-	35	38	(7.9)
Foreign exchange loss/(gain)	31	(23)	(234.8)	13	13	-
Other operating expenses	1,603	1,343	19.4	644	364	76.9
Underwriting profit	13,804	12,378	11.5	4,415	3,481	26.8
Gross dividends from investments	3,595	2,898	24.1	1,344	930	44.5
Interest income from investments	3,640	2,727	33.5	1,245	1,007	23.6
Interest on fixed deposits and bank balances	57	182	(68.7)	23	46	(50.0)
Amortisation of Investments	(5)	(28)	(82.1)	2	(23)	(108.7)
Miscellaneous income	28	10	180.0	2	3	(33.3)
Net fair value gains on financial derivatives - realised	2,388	-	NM	1,295	-	NM
Net fair value (losses)/gains on financial derivatives - unrealised	(3,008)	983	(406.0)	(3,095)	972	(418.4)
Net gains on available-for-sale investments	4,632	10,137	(54.3)	168	2,264	(92.6)
Impairment on investments	(3,000)	-	NM	(3,000)	-	NM
(Less)/Add :						
Management expenses not charged to insurance revenue account:						
Management fees	(521)	(464)	12.3	(166)	(170)	(2.4)
Other operating expenses	(288)	(206)	39.8	(63)	(79)	(20.3)
Exchange differences	1,085	(338)	(421.0)	2,058	(511)	NM
Non-underwriting income/(loss)	8,603	15,901	(45.9)	(187)	4,439	(104.2)
Profit before tax	22,407	28,279	(20.8)	4,228	7,920	(46.6)
Tax expense	(3,589)	(3,663)	(2.0)	(650)	(1,297)	(49.9)
Net profit	18,818	24,616	(23.6)	3,578	6,623	(46.0)

Note : NM = Not Meaningful

(b) Annualised earnings per share (cents)
- basic & diluted

41.0	50.5	23.4	43.3
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2. Unaudited statement of comprehensive income for the nine months/third quarter ended 30 September 2011

	Group	
	9 Months 2011 \$'000	9 Months 2010 \$'000
Net profit	18,818	24,616
Other comprehensive income :		
Foreign currency translation difference	91	(466)
Net (loss)/gain on available-for-sale investments	(29,087)	538
Income tax relating to available-for-sale investments	4,944	(93)
Other comprehensive income for the nine months, net of tax	(24,052)	(21)
Total comprehensive income for the nine months ended 30 September	(5,234)	24,595
Total comprehensive income attributable to: Equity holders of the Company	(5,234)	24,595

	Group	
	3rd Qtr 2011 \$'000	3rd Qtr 2010 \$'000
Net profit	3,578	6,623
Other comprehensive income :		
Foreign currency translation difference	413	(412)
Net (loss)/gain on available-for-sale investments	(21,332)	6,212
Income tax relating to available-for-sale investments	3,630	(1,065)
Other comprehensive income for the quarter, net of tax	(17,289)	4,735
Total comprehensive income for the quarter ended 30 September	(13,711)	11,358
Total comprehensive income attributable to: Equity holders of the Company	(13,711)	11,358

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3. Unaudited statement of financial position

	<u>Group</u>		<u>Company</u>	
	<u>30-Sep-11</u> \$'000	<u>31-Dec-10</u> \$'000	<u>30-Sep-11</u> \$'000	<u>31-Dec-10</u> \$'000
(a) Share capital - Issued & fully paid	91,733	91,733	91,733	91,733
Reserves	132,243	146,650	129,277	144,113
	223,976	238,383	221,010	235,846
Deferred tax liabilities	65	5,009	65	5,009
Gross technical balances				
Reserve for unexpired risks	57,859	49,038	57,351	48,670
Provision for outstanding claims	123,387	124,185	122,360	123,116
	181,246	173,223	179,711	171,786
Current liabilities				
Insurance creditors	15,129	10,366	14,820	10,210
Non-trade creditors & accrued liabilities	3,925	3,163	3,875	3,057
Deferred acquisition cost-reinsurers' share	7,100	5,769	7,026	5,711
Amount owing to related companies				
- non-trade	1,072	1,145	1,072	1,145
Derivative financial liabilities	947	231	947	231
Tax payables	4,866	5,515	4,833	5,551
	33,039	26,189	32,573	25,905
Total equity and liabilities	438,326	442,804	433,359	438,546
Fixed assets	400	485	400	485
Investment in subsidiary	-	-	4,940	4,940
Available-for-sale investments	263,519	274,209	263,519	274,209
Statutory deposit	-	500	-	500
Unsecured term loan	16	19	16	19
Reinsurers' share of technical balances				
Reserve for unexpired risks	29,203	24,017	28,814	23,742
Provision for outstanding claims	71,255	73,385	70,395	72,498
	100,458	97,402	99,209	96,240
Current assets				
Insurance debtors	14,703	10,893	14,498	10,765
Deferred acquisition cost-gross	6,699	5,464	6,579	5,375
Non-trade debtors and accrued interest receivable	2,111	2,343	2,102	2,335
Amount owing by related companies	-	7	12	10
Derivative financial assets	47	2,339	47	2,339
Bank balances and fixed deposits	50,373	49,143	42,037	41,329
	73,933	70,189	65,275	62,153
Total assets	438,326	442,804	433,359	438,546
(b) Net asset value per share (S\$)	3.66	3.90	3.61	3.86
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 \$'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	-	-	-	-	18,818	18,818
Other comprehensive income for the nine months ended 30 September	-	-	(24,143)	91	-	(24,052)
Total comprehensive income for the nine months ended 30 September	-	-	(24,143)	91	18,818	(5,234)
Dividend for Year 2010	-	-	-	-	(7,339)	(7,339)
Dividend for Year 2011	-	-	-	-	(1,834)	(1,834)
Balance at 30 September 2011	91,733	21,880	(900)	(1,349)	112,612	223,976
Balance at 1 January 2010	91,733	20,880	22,000	(775)	80,922	214,760
Profit net of tax	-	-	-	-	24,616	24,616
Other comprehensive income for the nine months ended 30 September	-	-	445	(466)	-	(21)
Total comprehensive income for the nine months ended 30 September	-	-	445	(466)	24,616	24,595
Dividend for Year 2009	-	-	-	-	(7,339)	(7,339)
Dividend for Year 2010	-	-	-	-	(3,058)	(3,058)
Balance at 30 September 2010	91,733	20,880	22,445	(1,241)	95,141	228,958
Balance at 1 July 2011	91,733	21,880	16,802	(1,762)	110,868	239,521
Profit net of tax	-	-	-	-	3,578	3,578
Other comprehensive income for the quarter ended 30 September	-	-	(17,702)	413	-	(17,289)
Total comprehensive income for the quarter ended 30 September	-	-	(17,702)	413	3,578	(13,711)
Dividend for Year 2011	-	-	-	-	(1,834)	(1,834)
Balance at 30 September 2011	91,733	21,880	(900)	(1,349)	112,612	223,976
Balance at 1 July 2010	91,733	20,880	17,298	(829)	91,576	220,658
Profit net of tax	-	-	-	-	6,623	6,623
Other comprehensive income for the quarter ended 30 September	-	-	5,147	(412)	-	4,735
Total comprehensive income for the quarter ended 30 September	-	-	5,147	(412)	6,623	11,358
Dividend for Year 2010	-	-	-	-	(3,058)	(3,058)
Balance at 30 September 2010	91,733	20,880	22,445	(1,241)	95,141	228,958

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5. 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 2011	91,733	21,880	23,243	98,990	235,846
Profit net of tax	-	-	-	18,480	18,480
Other comprehensive income for the nine months ended 30 September	-	-	(24,143)	-	(24,143)
Total comprehensive income for the nine months ended 30 September	-	-	(24,143)	18,480	(5,663)
Dividend for Year 2010	-	-	-	(7,339)	(7,339)
Dividend for Year 2011	-	-	-	(1,834)	(1,834)
Balance at 30 September 2011	91,733	21,880	(900)	108,297	221,010
Balance at 1 January 2010	91,733	20,880	22,000	77,713	212,326
Profit net of tax	-	-	-	24,425	24,425
Other comprehensive income for the nine months ended 30 September	-	-	445	-	445
Total comprehensive income for the nine months ended 30 September	-	-	445	24,425	24,870
Dividend for Year 2009	-	-	-	(7,339)	(7,339)
Dividend for Year 2010	-	-	-	(3,058)	(3,058)
Balance at 30 September 2010	91,733	20,880	22,445	91,741	226,799
Balance at 1 July 2011	91,733	21,880	16,802	106,718	237,133
Profit net of tax	-	-	-	3,413	3,413
Other comprehensive income for the quarter ended 30 September	-	-	(17,702)	-	(17,702)
Total comprehensive income for the quarter ended 30 September	-	-	(17,702)	3,413	(14,289)
Transfer from retained profits	-	-	-	-	-
Dividend for Year 2011	-	-	-	(1,834)	(1,834)
Balance at 30 September 2011	91,733	21,880	(900)	108,297	221,010
Balance at 1 July 2010	91,733	20,880	17,298	88,369	218,280
Profit net of tax	-	-	-	6,430	6,430
Other comprehensive income for the quarter ended 30 September	-	-	5,147	-	5,147
Total comprehensive income for the quarter ended 30 September	-	-	5,147	6,430	11,577
Dividend for Year 2010	-	-	-	(3,058)	(3,058)
Balance at 30 September 2010	91,733	20,880	22,445	91,741	226,799

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6. Unaudited statement of cash flows

	Group			
	9 Months	9 Months	3rd Qtr	3rd Qtr
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Profit before tax	22,407	28,279	4,228	7,920
Adjustments for:				
Foreign currency difference on reserve for unexpired risks (net of deferred acquisition cost)	1	(4)	4	(5)
Foreign currency difference on provision for outstanding claims	1	(30)	9	(27)
Movement in net reserve for unexpired risks (net of movement in net deferred acquisition cost)	3,730	4,559	(214)	(313)
Movement in net outstanding claims	1,331	1,604	669	1,940
Net fair value losses/(gains) on financial derivatives-unrealised	3,008	(983)	3,095	(972)
Depreciation	108	108	35	38
Net gains on available-for-sale investments	(4,632)	(10,137)	(168)	(2,264)
Amortisation of Investments	5	28	(2)	23
Impairment on investments	3,000	-	3,000	-
Gross dividends from investments	(3,595)	(2,898)	(1,344)	(930)
Interest income from investments	(3,640)	(2,727)	(1,245)	(1,007)
Interest on fixed deposits and bank balances	(57)	(182)	(23)	(46)
Exchange differences	(622)	1,097	(2,160)	1,119
Operating profit before working capital change	21,045	18,714	5,884	5,476
Changes in working capital:				
Trade and other receivables	(3,578)	(6,425)	1,022	438
Trade and other payables	5,525	6,199	(195)	(2,448)
Amount owing by related companies	7	17	-	38
Amount owing to related companies	(73)	(66)	93	(18)
Cash generated from operations	22,926	18,439	6,804	3,486
Tax paid	(4,241)	(5,904)	(2,060)	(2,951)
Net cash flows from operating activities	18,685	12,535	4,744	535
Cash flows from investing activities				
Proceeds from sale of available-for-sale investments	76,561	83,017	17,104	37,175
Purchase of available-for-sale investments	(92,632)	(117,683)	(51,755)	(68,490)
Purchase of fixed assets	(23)	(224)	-	(58)
(Placement in)/maturity of long-term fixed deposits	(4,201)	28,187	(1,503)	15,030
Proceeds from statutory deposit	500	-	500	-
Unsecured term loans	3	2	3	2
Gross dividends from investments	3,595	2,898	1,344	930
Interest income from investments	3,640	2,727	1,245	1,007
Interest on fixed deposits and bank balances	57	182	23	46
Net cash flows used in investing activities	(12,500)	(894)	(33,039)	(14,358)
Cash flow from financing activity				
Dividend paid	(9,173)	(10,397)	(1,834)	(3,058)
Cash flow used in financing activity	(9,173)	(10,397)	(1,834)	(3,058)
Translation difference on foreign subsidiary company	91	(466)	413	(412)
Net (decrease)/increase in cash and cash equivalents	(2,897)	778	(29,716)	(17,293)
Cash and cash equivalents at beginning of period	47,681	60,377	74,165	78,389
Effects of exchange rate changes on cash and cash equivalents	(74)	(498)	261	(439)
Cash and cash equivalents at end of period	44,710	60,657	44,710	60,657

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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 :

	Group	
	9 Months 2011 \$'000	9 Months 2010 \$'000
Cash and bank balances	15,471	25,242
Fixed deposit placement less than 3 months	29,239	35,415
Cash and cash equivalents	<u>44,710</u>	60,657
Fixed deposits placement more than 3 months	5,663	4,476
Bank balances and fixed deposits	<u><u>50,373</u></u>	<u><u>65,133</u></u>

7. Segment Information

	<u>SIF</u> \$' 000	<u>OIF</u> \$' 000	<u>SHE</u> \$' 000	<u>HK Subsidiary</u> \$' 000	<u>Consolidated</u> \$' 000
<u>For nine months ended 30 September 2011</u>					
Gross premium written	<u>62,871</u>	<u>13,707</u>	-	<u>785</u>	<u>77,363</u>
Net earned premium	21,221	6,910	-	159	28,290
Net claims incurred	6,820	2,081	-	(16)	8,885
Net commission (income)/expense	(2,368)	1,772	-	69	(527)
Management expenses	5,209	789	-	130	6,128
Underwriting profit/(loss)	<u>11,560</u>	<u>2,268</u>	-	<u>(24)</u>	<u>13,804</u>
Non-underwriting income	3,024	859	4,291	429	8,603
Profit before tax	<u>14,584</u>	<u>3,127</u>	<u>4,291</u>	<u>405</u>	<u>22,407</u>
Segment total assets as at 30 Sept 2011	255,862	39,922	132,623	9,919	438,326
Segment total liabilities as at 30 Sept 2011	186,425	23,150	2,762	2,013	214,350
<u>For nine months ended 30 September 2010</u>					
Gross premium written	<u>59,092</u>	<u>12,420</u>	-	<u>714</u>	<u>72,226</u>
Net earned premium	19,715	6,404	-	152	26,271
Net claims incurred	6,542	1,742	-	(52)	8,232
Net commission (income)/expense	(2,095)	2,065	-	65	35
Management expenses	4,775	712	-	139	5,626
Underwriting profit	<u>10,493</u>	<u>1,885</u>	-	-	<u>12,378</u>
Non-underwriting income	5,266	457	9,949	229	15,901
Profit before tax	<u>15,759</u>	<u>2,342</u>	<u>9,949</u>	<u>229</u>	<u>28,279</u>
Segment total assets as at 30 Sept 2010	253,027	36,796	140,609	9,555	439,987
Segment total liabilities as at 30 Sept 2010	183,671	21,295	3,606	2,457	211,029

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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 September 2011</u>					
Gross premium written	18,978	2,829	-	267	22,074
Net earned premium	7,483	2,577	-	54	10,114
Net claims incurred	2,600	874	-	(18)	3,456
Net commission (income)/expense	(389)	515	-	22	148
Management expenses	1,684	386	-	25	2,095
Underwriting profit	3,588	802	-	25	4,415
Non-underwriting income/(loss)	(800)	177	263	173	(187)
Profit before tax	2,788	979	263	198	4,228
Segment total assets as at 30 Sept 2011	255,862	39,922	132,623	9,919	438,326
Segment total liabilities as at 30 Sept 2011	186,425	23,150	2,762	2,013	214,350
<u>3 months ended 30 September 2010</u>					
Gross premium written	16,768	3,761	-	213	20,742
Net earned premium	7,254	2,757	-	49	10,060
Net claims incurred	3,110	1,094	-	(51)	4,153
Net commission (income)/expense	(235)	835	-	19	619
Management expenses	1,394	384	-	29	1,807
Underwriting profit	2,985	444	-	52	3,481
Non-underwriting income	2,170	240	1,850	179	4,439
Profit before tax	5,155	684	1,850	231	7,920
Segment total assets as at 30 Sept 2010	253,027	36,796	140,609	9,555	439,987
Segment total liabilities as at 30 Sept 2010	183,671	21,295	3,606	2,457	211,029

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 nine months/third quarter ended 30 September 2011 and the corresponding period last year, 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>	
	9 Months 2011 \$'000	9 Months 2010 \$'000	9 Months 2011 \$'000	9 Months 2010 \$'000
Singapore	56,121	53,472	400	485
Asean	9,784	8,215	-	-
Others	3,865	4,317	-	-
	69,770	66,004	400	485

	<u>Revenue</u>		<u>Non-current assets</u>	
	3rd Qtr 2011 \$'000	3rd Qtr 2010 \$'000	3rd Qtr 2011 \$'000	3rd Qtr 2010 \$'000
Singapore	18,482	16,887	400	485
Asean	2,020	1,999	-	-
Others	931	1,832	-	-
	21,433	20,718	400	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	9 Months 2011	9 Months 2010	9M11/ 9M10 %	3rd Quarter 2011	3rd Quarter 2010	3Q11/ 3Q10 %
Gross premium written	77,363	72,226	+7.1	22,074	20,742	+6.4
Underwriting profit	13,804	12,378	+11.5	4,415	3,481	+26.8
Non-underwriting Income/(loss)	8,603	15,901	-45.9	(187)	4,439	-104.2
Profit before tax	22,407	28,279	-20.8	4,228	7,920	-46.6

9 Months 2011 ("9M11") versus 9 Months 2010 ("9M10")

Gross premium increased by \$5.1 million or 7.1% to \$77.4 million and net earned premium increased by \$2.0 million or 7.7% when compared against the same period last year. The increase was due mainly to increased bancassurance business and higher quantum of retentions within prudent guidelines. Net claims incurred increased by \$0.7 million or 7.9% and management expenses increased by \$0.5 million or 8.9% due to increase in staff cost and other expenses. Net Commission income increased by \$0.6 million.

Underwriting profit increased by 11.5% to \$13.8 million due mainly to higher net earned premium. Non-underwriting income decreased to \$8.6 million as compared to \$15.9 million in the corresponding period last year. The decrease was due to weak sentiments in the stock markets in the current period resulting from the sovereign debt crisis and comparison against a one-time gain recorded in the corresponding period last year arising from the sale of the Company's stake in a group-linked company.

Overall profit before tax decreased by 20.8% to \$22.4 million due mainly to unrealised loss and impairment on investments.

3rd Quarter 2011 ("3Q11") versus 3rd Quarter 2010 ("3Q10")

The Group's gross premium grew by 6.4% to \$22.1 million and net earned premium increased by \$0.05 million or 0.5% in 3Q11 as compared to 3Q10 due to the selective increase in net retention. Net claims incurred decreased by \$0.7 million or 16.8%. Net commission expenses decreased by \$0.5 million or 76.1%. Consequently, underwriting profit in 3Q11 increased by \$0.9 million. The Group recorded a non-underwriting loss of \$0.2 million due to weak investment market sentiments. Profit before tax decreased by 46.6% to \$4.2 million.

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

Given the uncertain economic outlook globally, the operating environment will continue to be challenging. Premium growth will be marginal amid intensifying competition. The satisfactory level of underwriting profit as obtained over the years will likely be sustainable with continued judicious management. Income level from investments will depend on prevailing investment climate.

The increasing frequency and magnitude of natural disasters, attributable to climate change, such as the severity of the flooding in Thailand, will likely have an impact on the underwriting profitability.

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 nine months ended 30 September 2011 are the same as those adopted in the preceding year.

11. Dividend

No dividend has been declared for the third quarter ended 30 September 2011.

12. Borrowings, contingent liabilities and loan capital

The Group has no borrowings, contingent liabilities and loan capital as at 30 September 2011 (30 September 2010: nil).

13. Interested person transactions

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

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 nine months/third quarter ended 30 September 2011 to be false or misleading.

BY ORDER OF THE BOARD

MRS VIVIEN CHAN
SECRETARY

Dated this 31st October 2011